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ABSTRACT

Administrative procedures for the state of California are presented in this manual. The basic legal requirements that must be observed in preparing and adopting a budget are summarized and factors that influence expenditures in planning a long-range budget are listed. Steps are outlined for developing the general fund budget, special funds budgets, and maintaining budgetary control. The role of the business official and several alternative methods of giving budget information to the public are presented. (MLF)

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ADMINISTRATION of the SCHOOL DISTRICT BUDGET

SCHOOL BUSINESS ADMINISTRATION
PUBLICATION NO. 7

CALIFORNIA STATE DEPARTMENT OF EDUCATION
Wilson Riles, Superintendent of Public Instruction
Sacramento, 1975

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ADMINISTRATION OF THE SCHOOL DISTRICT BUDGET

1975 EDITION

Prepared under the direction of the
Bureau of Management Services

With the cooperation of the
California Association of School Business Officials

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Foreword

The budgets adopted for our schools identify the attitudes our communities have for the education of their children. The manner in which we in public education administer such budgets reflects our respect for the decisions of the communities we serve. The key in the adoption process is ATTITUDE; if the attitude has grown out of an understanding of the children's needs and has been developed with kindness, integrity, and responsibility, the product will reflect our communities' deepest concern for human development. The key in the administering process is RESPECT—respect for the will of the people and the democratic process, respect for the decisions made, and a recognition that one of the greatest privileges on earth—perhaps the greatest—is to teach children and the finest gift to offer is to give the effort our finest hours, our deepest love, our lasting respect.

In April, 1971, we in California began an effort that has resulted in one of our finest hours in public education. And it happened because we worked together—at the state and local levels—to restructure our educational program from kindergarten through grade three. It happened because we took the attitudes of the California community regarding early childhood education and translated those well-expressed ideas into a process for reform. It happened because we identified the resources that were needed to carry out the reform effort; we developed a realistic budget. And it happened because we committed our resources to the effort.

For the first time in the history of California education, we provided a structure that captured the energies, talents, and commitments of all the parents and teachers at each school to make it possible for them to solve their own problems.

We have talked about accountability for years, especially during the budget-making process. However, with early childhood education, we're requiring accountability at all levels for the first time. At the state level, our efforts have been to ensure that school plans, including the budgets, are truly responsive to the needs of children. At the local level, program expansion is the key to accountability. It is only through concrete evidence of success that early childhood education is expanded to new schools. Thus, participating schools are providing better coordinated, more effective education than has ever been the case on a broad scale in California schools.

Over 100,000 California citizens are volunteering their services to local early childhood education programs; they are working with classroom teachers and principals to determine and meet the needs of each child. They are contributing millions of man-hours to the tasks of monitoring the progress of individual learning, helping those who are able to race ahead and those who would otherwise fall behind. Parents, teachers, school administrators, and school board members are working together at each school to plan the wise use of each taxpayer's dollar. That, to me, is the finest administration of a school district budget that we can hope to achieve.

You may ask why I chose to describe the early childhood education efforts in this foreword to the *Administration of the School District Budget*. I have two reasons: First, because I am totally excited by what I see happening in our early childhood education schools, and I want to tell you about it. And second, because education budgets are made to help children, and I want to emphasize that point again and again and again.

The attitudes our communities have for the education of their children are crucial, and the respect our school administrators have for those attitudes is critical, but the dedication the teacher has for the task and the love the teacher and the parents have for the child are the keys that make horizons in education fill up with glowing lights.

Superintendent of Public Instruction

Preface

Our society demands the highest quality and most diversified educational offerings that can be made available, consistent with the funds provided from federal, state, and local sources. Providing quality educational programs of a diversified nature is very expensive, especially in these times. Therefore, it is essential that school officials use the best possible management techniques in providing quality programs that meet the educational needs of their pupils.

The *Administration of the School District Budget* was first published in 1959 to help school officials develop budgets in response to the wishes of their communities. We are indebted to J. Dwight Cate, Ernest L. Lindsay, and a statewide committee of school administrators for their work on the first edition of this publication. The manual was revised in 1970, but that edition consisted mainly of an updating, with the deletion of certain references and examples that were no longer applicable.

Publishing this edition of the school business administration publication culminates a two-year effort on the part of the Budget Committee of the California Association of School Business Officials in cooperation with officials in the Department of Education. It is the result of the dedicated effort on the part of the committee to bring into focus not only the nature of the budget as a fiscal instrument of control but also the need for the involvement of community and school resources as the district pursues the goal of practicing effective school management. We are grateful to the members of the committee, whose names appear elsewhere in this publication, for their efforts. And we wish especially to thank Leo Edson, Field Representative in the Bureau of Management Services, for coordinating the efforts of the committee with those of the Department of Education.

We recommend that this manual be on the reading list of all school district officials, school district governing board members, and students of school administration.

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Chapter I

Introducing the School District Budget

The school district budget can be described as an expression in dollars and cents of the educational program that is supported by the community. As a fiscal document, the budget is an estimate of proposed expenditures and revenues for a stated period of time and for stated purposes. Among the many important functions a school district budget can serve are the following:

1. Describes the planned district educational program, including all support services.
2. Outlines fiscal controls that the governing board of the district will employ in discharging its responsibility for district expenditures.
3. Informs the public of the educational program and the funds required for program operation.
4. Makes available to the governing board and other agencies information that determines the tax rates and the subventions needed to support the educational program.

Responsibility for the Budget

The governing board of the school district has the responsibility for meeting all legal requirements pertaining to the development and adoption of the district's budget. The board should therefore have a detailed plan for meeting this responsibility. The budget plan should include (1) a comprehensive statement of the board's policy on all matters relating to the budget; (2) an outline designating the official assigned the major responsibility for compiling the budget and the lines of authority that will be followed; and (3) a detailed calendar for accomplishing the required work. The plan should be reproduced and made available to the members of the staff who are responsible for budget preparation, so that they may proceed in doing the work that is assigned to them. As a public document, the plan should be made available to all interested parties.

Basic Legal Requirements

The basic legal requirements that must be observed in preparing and adopting a budget are as follows:

1. The California Superintendent of Public Instruction prescribes standard budget forms that show expenditure classifications and other data classifications required by law. (Education Code Section 20603)
2. On or before July 1, the governing board of each school district shall file with the county superintendent of schools a tentative budget on the prescribed budget form. (Education Code Section 20607 [a])
3. The county superintendent of schools must examine the tentative budget and indicate needed revisions. The county superintendent shall return the tentative budget to the school district on or before July 15, adding the information necessary to determine the required local taxes for the year in which the budget applies. (Education Code Section 20607 [b])
4. Upon receipt of the tentative budget, the governing board shall make such changes as it deems desirable or necessary. The resultant document then becomes the publication budget and must be forwarded to the county superintendent of schools on or before July 20 for publication. (Education Code Section 20607 [c])
5. With the exceptions of districts in which no district tax is levied and of elementary districts that employ only one teacher, the publication budget shall be published at least once in a newspaper in the district that has a general circulation within the district. If there is no such local newspaper in the district, the budget shall be published in any newspaper that has a general circulation in the district.

Publication shall occur (a) prior to adoption by the county superintendent of schools; and (b) during the last week in July. A notice that a public hearing is to be held before the governing board of the school district shall appear in the newspaper budget publication, with the time and place of the meeting presented. The budget may not be adopted until after the public hearing has been held, which shall occur during the first week of August, except in a district that has an average daily attendance (a.d.a.) of more than 200,000. (Education Code Section 20504)

6. On or before August 8 (or on or before August 10 in school districts in which there is an average daily attendance of more than 10,000), the governing board of each school district in which a public hearing is required shall adopt the budget and shall file copies of the budget with the county superintendent of schools. (Education Code Section 20607 [d])
7. The county superintendent shall approve for each school district the budget as officially adopted and submitted by the district's governing board. Moreover, not later than August 15, the county superintendent shall file one copy with the county board of supervisors, one copy with the county auditor, and one copy with the Superintendent of Public Instruction; attached to these copies of the budget shall be a statement showing the amount of school district taxes required by each district. (Education Code Section 20607 [e])
8. The board of supervisors of each county (or city and county) shall annually levy and cause to be collected a district tax for each school district whose revenue limit indicates a district tax to be necessary. If the board of supervisors fails to make this levy, then the levy shall be made by the county auditor. (Education Code sections 20902–20906)

The major emphasis of the foregoing has been on the legal responsibilities of the district governing board, county superintendent of schools, and other county officers in meeting deadlines and in preparing, examining, approving, and advertising the school district budget. In addition to meeting the legal requirements, the district governing board retains the responsibilities of budget preparation, establishment of policies on which the budget is based, collection and organization of budgetary data, cooperative development of the budget with various groups, careful study of estimated revenues and expenditures, and consideration of the district's experience and planning over the past years.

Development of a Budget

The three basic considerations in budget planning are (1) the educational program and support services; (2) the expenditures necessary to support the recommended program; and (3) the sources of revenues required. Each of these considerations must be interrelated parts of a total plan.

Educational Program and Support Services

Each school district has responsibility for maintaining the following:

1. An educational program that meets the minimum standards set by law
2. Such additional programs as are desired to meet educational needs
3. Those services needed to support the educational program

Expenditures

The planned program of education must be analyzed to determine the number of students who will participate and the manner in which they will be served. This analysis will assist the district in determining the costs of the staff, supplies, equipment, and facilities that will be required. In an analysis of any program to be offered, answers should be sought for questions such as the following:

How many students will be enrolled?

What staffing (salaries and benefits) will be needed?

1. Certificated
2. Classified
3. Other

What materials will be needed?

1. Books
2. Supplies
3. Instructional media
4. Replacement

What support services will be needed?

1. Instructional–administration
2. Instructional–media
3. School administration
4. Pupil services

5. Maintenance
6. Operations
7. Transportation
8. District administration
9. Food services

What capital outlay will be needed?

1. Facilities
2. Equipment

Sources of Revenue

After the expenditures have been determined, attention should be directed to the sources from which the required funds may be secured. At this point, estimates should be made of funds that may be received from federal, state, county, and local sources.

Chapter Summary

The three basic considerations in budget making are (1) the educational program and its support services; (2) the expenditures required to operate the program; and (3) the revenues needed. The budget establishes the guidelines the district will follow and the level of financial effort required.

The governing board of the district has the legal responsibility for the preparation and adoption of a budget. The board can accomplish this responsibility by adopting a clearly defined statement of budgeting policy.

Chapter II

Planning the Long-Range Budget

The educational program offered by a school district should be planned so that objectives to meet student needs will be attained during each fiscal year and so that orderly progress will be made in achieving long-range goals. The budget for the district should contain the provisions needed for both of these functions.

In the planning of a budget to support programs extending over several years, it is necessary to determine carefully what is needed for the desired program. This determination can be made by analyzing program goals so as to ascertain the steps that need to be taken to accomplish those goals. Generally, considerations such as the following are involved in long-range program planning:

1. Patterns of organization
2. Class size
3. Curriculum offerings
4. Curriculum support such as supplies, books, and audiovisual materials
5. General supervision or special area consultant services
6. Special programs, such as those for the physically handicapped, mentally retarded, educationally handicapped, and mentally gifted
7. Special services, such as health and guidance services

A schedule should be established after the program goals have been analyzed and after the requirements for meeting them have been determined. The schedule must clearly demonstrate the order in which the goals are to be achieved.

Factors Affecting Expenditures

Expenditures are influenced by (1) student population trends; (2) number, capacity, and location of facilities; (3) repair, preventive maintenance, and remodeling; (4) economic conditions; and (5) personnel policies.

Student Population Trends

Changes in population present a major problem in budget planning, and multiyear projections of enrollments should therefore be considered. Data regarding the district's population of school-age *and* preschool children should be used in predicting the needs for staffing, facilities, and services.

In any projection of school district enrollments, factors to be considered include (1) number of preschool-age children; (2) birthrate trends; (3) population trends; (4) industrial and commercial developments; (5) plans for housing developments; (6) plans of private schools; and (7) potential changes in district boundaries.

The number of preschool children in the district can be determined by a continuing census of the district. In the analysis of factors other than preschool children, particular attention should be given to locally collected data. Data can be secured by contacting those local governmental agencies and businesses interested in population change. For example, valuable information can be obtained from planning commissions, which base their decisions on data they collect, as well as on data compiled by public utilities.

Any increase or decrease in school population will affect many aspects of the budget. For example, the amounts budgeted for teachers' salaries, retirement contributions, and supplies will change as enrollment changes. On the other hand, amounts budgeted for custodial and maintenance services may not change in direct proportion to enrollment.

The number of employees needed will be determined by student population trends and by the extent to which programs are expanded, maintained, or curtailed. However, the type and extent of some support services may be determined more by the educational program than by student population.

Number, Capacity, and Location of Facilities

School population projections provide the basis for determining the extent and timing of the building program or of closure of facilities. Long-range planning is essential in meeting the need for sites and strategically located facilities of adequate size.

The budgeting process should involve consideration of two types of problems connected with facility needs—nonrecurring costs and recurring costs. Typical nonrecurring costs include staff and consultant time for (1) planning the construction or closing of schools; (2) bond elections and bond sales; (3) purchase or sales of facilities or sites; and (4) purchase, disposal, or redistribution of equipment, supplies, books, and so forth. Typical recurring costs include (1) staff salaries and benefits; (2) supplies; (3) utilities; (4) maintenance; and (5) insurance.

Repair, Preventive Maintenance, and Remodeling

A systematic program of repair, preventive maintenance, and remodeling of district buildings and equipment is essential. The program should be carried out on a multiyear schedule and should provide for improving, repairing, and remodeling existing physical plants as needs become apparent.

Schedules for the maintenance and replacement of equipment must be established to avoid serious financial impacts. The useful life of equipment can be predetermined, and equipment should correspondingly be replaced on a long-term scheduled basis.

Economic Conditions

Predictions of economic trends are difficult to make; yet, budget planners need to consider carefully the trends in cost indices so that the district will not be suddenly faced with the problem of expenditures exceeding available resources. The final step in planning is to forecast prioritized needs within the financial resources that will be available.

Personnel Policies

The importance of the governing board's policies regarding personnel is emphasized by the fact that salaries and related benefits constitute the major part of the district's operating expense. An analysis of the effect on future budgets of policies regarding salaries and related benefits is exceedingly important.

Budget requirements, both current and long-range, must include provisions for such personnel items as (1) salaries; (2) retirement; (3) health and welfare benefits; (4) sick leave; (5) other leaves and benefits; and (6) inservice training.

Factors Affecting Income

When expenditure requirements have been determined, an analysis must be made of the district's ability to finance the proposed educational program. Long-range predictions of income must be undertaken to indicate (1) the feasibility of the program objectives under the existing pattern of financial resources; or (2) the need for planning changes in the financial program of the district to secure the funds required for the educational program; or (3) the need for planning changes in the educational program; or (4) the need for changing both the financial and the educational programs.

Districts may find it difficult to establish a long-range plan until the income pattern has been established. It is essential that at an early point the governing boards, administrators, and staff recognize the necessity for appropriate financial support in the planning program and be sensitive to the constraints imposed by the following sources of revenue: (1) federal; (2) state; (3) county; (4) local; and (5) miscellaneous.

Note: State apportionments and local taxes are governed by application of revenue limit calculations in accordance with SB 90 and AB 1267.

Federal Revenue

Federal funds are available under certain conditions for current operations, special projects, school construction, and equipping of school facilities. Federal income may be received by districts directly or through state, county, or local agencies. The possibilities for continued availability of federal support must be considered in budget planning.

State Revenue

Forecasts of financial assistance from the State School Fund are dependent primarily on the accuracy of actual and projected average daily attendance and estimated assessed valuation. These are the two major variables with which the principal apportionment (basic plus equalization aid) is calculated.

Special-purpose apportionments are available to assist in financing such programs as driver training, mentally gifted, mentally retarded, educationally handicapped, physically handicapped, and transportation.

Special state allowances are available for such programs as elementary reading, instructional television, special teacher employment, demonstrations in reading and mathematics, early childhood education, and educationally disadvantaged youth.

Under certain conditions, state aid is available for other purposes, such as building programs and child development centers. Long-range planning will help to indicate the time when a district may qualify for these funds. The amount allocated to local districts is dependent on actions taken by the California Legislature and voter approval of statewide issues.

County Revenue

Counties levy taxes or fees on solvent credits, trailer coaches, aircraft, livestock, and so forth. Additional county revenue may come from community college tuition tax, equalization aid offset tax, and so forth. Part of these revenues is apportioned to school districts within the county.

Local Revenue

Local taxes are the most immediate concern of school board members, school administrators, and district voters. The growing need for taxes to support city, county, state, and federal government, as well as school districts and special districts, places additional emphasis on the need for long-range planning. Accordingly, the school and community should work cooperatively in developing a planned educational program that will be adequate to meet student needs. As planning progresses, school and community should be aware of the need for facilities and the resulting taxes that may be required.

Miscellaneous Revenue

Examples of miscellaneous income are adult education fees, interest earned on deposits and investments of the school district, tuition derived from interdistrict contracts, and special foundation or subsidy support from private agencies.

Chapter Summary

Developing the school budget for each fiscal year should be regarded as one step toward attaining the goals set for the long-range educational program. In long-range budget planning, as in annual budget planning, three factors are involved: the educational program, expenditures, and revenue. Those responsible for the long-range planning of the educational program should set goals and establish priorities. Consideration of expenditures on a long-range basis will bring the following into focus: (1) population trends; (2) the effects of school population changes on current operation and on the building program; (3) improvements and changes to be made in the educational program; (4) the budget period under consideration; (5) personnel requirements, including salary schedules and accompanying "fringe benefits"; and (6) requirements for inservice training programs.

Chapter III

Developing the General Fund Budget

The General Fund can be described as being those resources available to finance the educational and support programs of the district. (The General Fund does not include special funds that are for specific purposes [see Chapter V].) The General Fund budget is a record of the planned expenditure of the available resources.

Expenditure Plan

In Chapter I the need to analyze the educational program and support services in order to conduct proper budget planning was presented. Such an analysis requires the budget planner to identify resource needs in terms of (1) the number of students to be served; (2) the number of staff required; (3) the type and quantity of materials, services, and facilities needed; and (4) the support services involved in supplementing the program. Once these factors have been identified, the budget planner must convert the resource needs into an expenditure plan expressed in terms of monetary appropriations.

Appropriations must be made on at least two bases—expenditure of objects and expenditure of programs. The two bases are described in the *California School Accounting Manual.*[1] The extent to which a district goes beyond the required minimum levels of expenditure planning and budgeting remains a matter of local determination. Appropriations must be by objects of expenditure to facilitate expenditure planning by programs. Such an approach provides basic planning data, proper budget control bases, and a format for minimum expenditure reporting.

[1] *California School Accounting Manual.* School Business Administration Publication No. 8. Sacramento: California State Department of Education, 1973.

Expenditures by Object

There are seven major object of expenditure classifications:

1. Certificated salaries
2. Classified salaries
3. Employee benefits
4. Replacement of books, supplies, and equipment
5. Contracted services and other expense
6. Capital outlay
7. Other outgo

An appropriation category for contingencies is discussed in "The Balancing of Expenditures and Revenues," pages 13 and 14.

Budget guidelines should be established through board policy to achieve proper expenditure appropriations. Examples of such guidelines include the following:

1. Staffing ratios
   - a. Certificated
     - 1) Pupil-teacher
       - a) Kindergarten
       - b) Primary grades
       - c) Middle grades
       - d) Secondary grades
     - 2) School administration
       - a) Principal
       - b) Vice-principal
       - c) Assistant principal
       - d) Deans
     - 3) Supervisors
       - a) Directors
       - b) Coordinators
       - c) Consultants
       - d) Special subject supervisors
     - 4) Librarians
     - 5) Pupil welfare
       - a) Counselors
       - b) Social workers
       - c) Psychologists

d) Nurses
e) Other health personnel
b. Classified
1) Aides
2) Administrators
3) Clerical
a) School clerical
b) Administrative clerical
4) Maintenance
5) Operations
a) Custodians
b) Grounds
6) Food service
7) Transportation
8) Other classified
c. Special education
2. Salary schedules (should be determined after assessment of financial resources and staffing needs)
3. Employee benefit program
a. Required (types and contributions established by law)
1) State Teachers' Retirement System (STRS)
2) Public Employees' Retirement System (PERS)
3) Old Age, Survivors, Disability, and Health Insurance (OASDHI)
4) Workmen's compensation insurance
5) Unemployment insurance
b. Optional (e.g., health and welfare)
1) Fully paid
2) Partially paid
4. Allocation ratios
a. Books
b. Supplies
c. Instructional media
d. Field trips
e. Equipment replacement
f. New equipment
g. Administrative supplies
h. Contracted services
i. Other supplies or services
5. Support programs
a. Instructional administration
b. Instructional media
c. School administration
d. Pupil services
1) Counseling
2) Health
3) Guidance
e. District administration
f. Maintenance
g. Operations
h. Transportation
6. Auxiliary programs
a. Community services
1) Civic center
2) Recreation
b. Food services
c. Facilities

Expenditures by Program

There are four major program reporting levels required in the *California School Accounting Manual*–Instructional, Support Services, Auxiliary, and Other Outgo. Each of these programs may have numerous subclassifications.

Estimates of Revenue

Local taxes and state apportionments are the two main sources of revenue. (A plan of expenditures and the availability of funds were examined in the preceding chapters.) Assistance in exploring the various possible sources of income is available from the office of the county superintendent of schools. In 1972-73, legislation provided for income limitations based on local and state sources. The county superintendent was required to compute each district's 1972-73 revenue base, the 1973-74 revenue limit, and the tax rate. In each succeeding year, the superintendent is required to compute the revenue limit for each district in the county.

Revenue Base per A.D.A. for 1972-73

The 1972-73 revenue base was determined by specified local tax revenue, areawide and equalization aid offset tax income, tuition, and state aid. The total revenue from these sources was divided by the 1972-73 second-period foundation-program-apportionment average daily attendance (a.d.a.) to calculate a 1972-73 base revenue per a.d.a. The adjusted 1972-73 revenue base per a.d.a. will serve as the basis for projecting the revenue limit for 1973-74 and future years.

Revenue Limit Income

The revenue limit per a.d.a. is made up of foundation program apportionments, equalization aid offset income, secured income, unsecured income, and prior-year tax income. After the base revenue limit per a.d.a. for the budget year has

been determined, it is necessary to estimate the second-period foundation program apportionment a.d.a. for the budget year. The revenue limit per a.d.a. is multiplied by the estimated a.d.a. to determine the budget year computation.

If the revenue limit per a.d.a. is less than the computed foundation program apportionment, an additional adjustment may be made to determine the budget year revenue limit. Additional adjustments should be made for declining enrollment, additional tuition costs or credits, voted change in the revenue limit, and contributions to the State Teachers' Retirement System.

At the close of a budget year, the actual second-period a.d.a. and actual collections are entered in the same formula. If collections in excess of those earned are received, the amount of the overcollection is deducted from the following budget year's revenue limit. Correspondingly, if collections were not as great as the amount earned, the deficiency may be added to the following year's revenue limit. Instructions and exhibits for the revenue limit calculation and adjustments are provided to districts and county superintendents by the Bureau of School Apportionments and Reports, State Department of Education.

Local Tax Income

A wide diversity exists in the proportion of local tax income to total income among school districts in California. Some districts derive the major part of their income from local taxes; other districts derive their major support from federal sources and state apportionments. The amount of total revenue limit from local taxes depends on the revenue limit calculations less state apportionments. This calculation will include consideration of the following tax sources: secured, unsecured, prior years, areawide, and equalization offset. Additional tax revenue for specific purposes may be generated by permissive override taxes.

The Education Code requires that certain minimum local taxes be levied in order for a district to qualify for equalization aid. In some instances this may cause more revenue to be raised than is normally permitted under the revenue limit. The assessed valuation of all secured property within a district is the base on which the district tax rate is determined. A variation in assessed valuation does not affect total revenue limit, only the tax rate.

All counties use the same ratio of assessed value to true market value, but because of assessment practices, this ratio may vary. Because of this variation, an equalizing factor known as the "Collier Factor" is applied. The loss of state apportionment income due to the Collier Factor is offset by the levy of an equalization aid offset tax by the county.

State Apportionments

State revenues include apportionments for the foundation program, special education, special-purpose apportionments, and special allowances.

Foundation program apportionments. The foundation program apportionment is based on the average daily attendance of the current year and is for many districts the largest single source of income. Foundation program apportionments are derived from a foundation program to which the district and the state contribute. The foundation program represents a basic educational program expressed in dollars per unit of average daily attendance. Toward this foundation program the district may contribute an amount known as district aid, which is determined by a computational tax rate. Through the foundation program, the state contributes basic aid to all districts. If basic aid is not sufficient (together with the computed district aid) to meet the level of the foundation program, state equalization aid provides the difference.

Special education allowances. The district cost of providing special education classes and programs is met, partially or fully, by allowances from the state. Per-unit allowances are provided for such programs as the following:

Educationally handicapped
Mentally gifted
Educable mentally retarded
Physically handicapped
Trainable mentally retarded
Educationally disadvantaged
Transportation of handicapped pupils

Special-purpose apportionments. State special-purpose apportionments are available for driver training and for pupil transportation between home and regular day schools. The community colleges may secure special-purpose apportionments for programs for the educationally disadvantaged and for early childhood development.

Special allowances. A partial list of special allowances from the state is as follows:

Basic Reading Act of 1965 (Miller-Unruh)
Instructional television
Early childhood education
Educationally disadvantaged
Miller Mathematics Improvement Programs
Instructional materials (elementary only)
Reimbursement for state-mandated programs
Bilingual education
Special teacher employment
Tax relief subventions
Open space subvention

A complete list of sources of state income is presented in the *California School Accounting Manual.*

Other Sources of Revenue

Sources other than local taxes and state apportionments from which certain school districts may receive revenue in sizable amounts include federal aid, county aid, and tuition.

Federal aid. The federal government has for many years provided aid to school districts in special fields of education. First to receive aid were programs in agriculture and home economics. Some of the funds the federal government has provided in recent years have been for the following purposes:

1. Aid schools in federally affected areas (Public Law 815 and Public Law 874).
2. Improve the preparation of students in critically needed specialties (National Defense Education Act).
3. Fight the effects of poverty (Public Law 89-10).
4. Train and hire the unemployed.
5. Eliminate or reduce special problems relative to national goals.
6. Educate children with handicaps.
7. Educate children of migrant parents and children with special needs resulting from neglect.
8. Aid teacher training and development.
9. Provide programs in bilingual education.
10. Provide vocational education courses.

In addition to funding for the preceding, community colleges can secure federal aid for the following purposes:

1. Instructional programs for veterans as authorized by Title X of the Higher Education Act of 1965
2. Financial aid to students
   a. Work-study program
   b. Supplemental educational opportunity grants
   c. National direct student loans
   d. Basic educational opportunity grants
   e. Nursing student scholarship and loan program

It should be noted that most federal assistance is from categorical aid programs wherein revenue received must be used for specific purposes within specified time limits. All districts should investigate the possibilities of obtaining additional income allocated under federal law. Assistance in examining the possibilities of federal funding is available from the office of the county superintendent of schools, the State Department of Education, and the Office of the Chancellor of the Community Colleges.

Income from county sources. Income from county sources is of the following types:

1. Taxes on solvent credits
2. Trailer coach fees
3. In-lieu taxes
4. Aircraft taxes
5. Highway rentals
6. Equalization offset credit
7. Head tax on livestock
8. Tuition
9. Contract services (County School Service Fund)
10. Miscellaneous

Tuition. A school district may receive tuition payments from another school district. When a district has students from another district, a.d.a. may be credited to, and payment received from, the district of residence.

An alternative method of crediting the equivalent of the a.d.a. apportionment to the district of attendance may be exercised. State apportionment will be made according to the method of crediting a.d.a. that is agreed to by the districts involved and that is recorded on the attendance reports filed with the state.

The district with special education students from another district can choose the payment

method. However, if the district of residence is being charged "tuition," the calculation of the tuition cannot exceed the cost of the special program less the special state allowances that are credited to the district of attendance.

A written agreement must be prepared which describes the terms of the interdistrict arrangement. Special attention should be given to Education Code sections 10801.1, 10805, 10813, and 10813.2, as modified by AB 2726 of 1974, when preparing the agreement. These code sections set the legal limits of liability between districts and the methods of crediting and receiving credit for out-of-district students.

Miscellaneous revenue. To complete the budgeting of all sources of revenue, school districts should estimate any probable income from such sources as the sale of property, insurance indemnities, interest income, in-lieu taxes (except federal in-lieu taxes), bonuses, royalties, rentals, and miscellaneous fees of all types (such as fines, gifts, contributions and income from district property).

Responsibilities for Estimating Revenue

Determining revenues accruing to a school district during the coming budget year is a difficult task. It is important that no source of income be overlooked and that each source be carefully estimated. A school district's first source of information and help in this situation is the office of the county superintendent of schools. One of the many important services this office renders to school districts is helping them solve their budgetary and other financial problems. *Nevertheless, the school district has full responsibility for the preparation of its budget.*

The Balancing of Expenditures and Revenues

When revenue from all sources has been estimated, the next step in budget preparation is to balance proposed expenditures and estimated income. The budget planner will at this point know both the amount of money needed to operate the district's programs for the budget period and the amount of revenue that can reasonably be expected from all sources available to the district. However, balancing expenditures and income may require adjustments in the planned expenditures. Issues upon which there is need for further study and decisions must be identified. The policies of the governing board will be helpful in making these decisions.

The governing board may choose to revise a policy or suspend a policy for the year to meet budget requirements, or new policies may need to be enacted. It is preferable to suspend a policy (such as one stating intent to reroof buildings every twelfth year) for a year than to ignore it. Policy suspensions, revisions, or enactments identify potential budget hazards that may require the use of contingency appropriations.

When there are no policies that apply, use should be made of priority ratings to determine what revisions may be made in the expenditures (and possibly what items might be eliminated). If priority ratings have not been used in the development of the budget, then the district must at this time determine the levels of necessity of the various proposed expenditure items. The district must decide which expenditures can be postponed for a year and which expenditures can be decreased to effect economies. The rating of items should be done through conferences in cooperation with the members of the staffs concerned. When funds are insufficient, the governing board must take steps to obtain sufficient funds for meeting future budget requirements or must effect program cuts to balance expenditures in accordance with the income available.

In the process of balancing the budget, the matter of reserves must be taken into consideration. The law states that school district budgets in California may contain amounts known as the General Reserve and the Appropriation for Contingencies (Education Code sections 20604 and 20605).

General Reserve

The purpose of the General Reserve is to enable a district to meet its financial obligations during the period immediately following June 30 until anticipated revenues for the new fiscal year are available to the district. School districts begin to receive General Reserve apportionments in July. Since most revenues from local taxes are not available to the district until December, a period of time exists in which expenditures for maintenance, recreation, equipment, salaries, and summer school programs must be made from funds provided for in the General Reserve and from advanced state apportionment.

Districts that receive a large portion of their foundation program through equalization aid will realize significant advance apportionments. Districts that receive most of their revenue from local sources (such as basic-aid districts) may need to maintain a large General Reserve to cover their needs until local taxes are received.

In some counties, districts may request loans from the county treasury in anticipation of tax receipts. This loan is typically not available until after the tax rates are set in August; therefore, these districts still need to provide for several months of operation through the General Reserve. (Caution: If borrowing of funds is anticipated, a reduction of interest income may occur and should be reflected in the interest income account.)

In determining the General Reserve needed, a district should consider its experience during the preceding years and the changes that will be brought about by provisions of the budget under preparation. The district should always estimate as closely as possible its total needs and the apportionments to be received early in the year. An amount the governing board deems sufficient for use in the next succeeding year should be budgeted to meet the district's cash requirements until adequate local and state funds are available. It must be kept in mind that the monies budgeted to the General Reserve are not available during the current fiscal year.

Appropriation for Contingencies

The Appropriation for Contingencies (formerly called the Undistributed Reserve) is established to provide for unforeseen problems and emergencies that may arise during the year. Proper use of this account is preferable to "padding of the budget," which is indicative of poor budgetary management.

Appropriation for Contingencies (in the community colleges referred to as Unappropriated Fund Balance) may be further delineated as "designated" and "undesignated."

Designated Contingency refers to those aspects of the budgeted expenditures that are district commitments, whether or not the funding resources become available (e.g., salaries related to a.d.a. growth, Public Law 874 losses, and expenditures for special programs for which the funding approval has not been received).

Undesignated Contingency is a category for appropriating reserves to cover needs that cannot be identified in advance. Because of the nature of this reserve, its size should bear a relationship to the future needs of the district.

Action on the Budget

The formal approval of the budget by the district's governing board must be obtained when the process of balancing the planned expenditures and the estimated revenues has been completed. The budget is presented to the governing board together with a formal letter of transmittal; this letter is an important document in the budgetary process. In the letter the district superintendent should present for formal record the basic considerations on which the budget was based, the reasons for suggesting any important changes from previous practices in the district, and a picture of what the budget means in terms of the next year's school experiences for the children of the community.

Chapter Summary

This chapter presents those procedures that will assist persons develop the school district budget. The information in this chapter should be used as a supplement to the requirements prescribed in the Education Code and the *California School Accounting Manual.*

Chapter IV

Maintaining Budgetary Control

The school district budget is the projection of revenues and the guide for expenditures that have been approved for support of the proposed educational program. The school business official must understand the various legal and fiscal controls available for administering a budget and must ensure that they are correctly used. In this way the business official can fulfill the responsibility for determining that the monies received are expended for the approved educational program.

Role of the Business Official

The role of the business official in maintaining budget control will vary from district to district. In a highly centralized district, the official may be the final authority. In other districts, the official may be an adviser to another administrative officer who has the ultimate authority.

In recent years, there has been a trend in districts toward decentralization, with expenditure authority established at the site level. The role of the business official in such districts becomes one of expediter of financial information—a counselor, not a critic. The business official still has the responsibility to maintain proper records and to advise other central administrative personnel of the financial position of the district.

The business official's role is one of advising the superintendent, the assistant superintendent, the building principal, and others of any conditions that may affect the financial position of the district. There is increasing demand for more timely and accurate reports and for accurate projections of future financial conditions.

Accurate projections are vital to budget control. During the course of the fiscal year, the business official must analyze revenue projections as well as expenditure projections. When updated revenue projections are less than budgeted amounts, recommendations must be made for resolving the imbalance. The proficient business official will recognize that revenue controls are as important as expenditure controls.

Legal Controls on the Budget

Education Code Section 20951 requires that expenditures must not exceed the amount budgeted in the major expenditure classifications. However, under certain conditions budget transfers can be made.

Budget Transfers Between Expenditure Classifications

Education Code Section 20951 provides that transfers between expenditure classifications in the school budget may be made by boards of education. Transfers may be made by school districts governed by a board of trustees only when approved by the county superintendent of schools.

Budget Transfers from the Appropriation for Contingencies

Education Code Section 20951 provides that transfers may be made from the Appropriation for Contingencies by boards of education. Transfers may be made by school districts governed by a board of trustees only when approved by the county superintendent of schools. Transfers from the Appropriation for Contingencies require approval of two-thirds of the members of the governing board (board of education or board of trustees).

Budget Transfers at Year-End

Education Code Section 20952 provides that at the end of the fiscal year, the governing board may adopt a resolution that allows the county superintendent, when necessary, to (1) permit payments of obligations that exceed the amount budgeted in an expenditure classification; and (2) transfer funds from the Appropriation for Contingencies to any expenditure classification or between expenditure classifications.

Use of Unbudgeted Revenue

Education Code Section 20953 allows the district governing board to use unbudgeted revenue provided from any source other than local property taxes or apportionments from the State School Fund. Use of unbudgeted revenues can be done without publication but must be decided by a majority vote of the governing board and must have the approval of the county superintendent of schools.

Increases in budgeted apportionments from the State School Fund received for the average daily attendance of pupils in special programs financed by categorical aid from federal or other governmental sources may be used by the governing board with approval of the county superintendent of schools.

If total revenue (including local property taxes and State School Fund revenue) is assured to be received in excess of the total revenue amount, the excess may be budgeted by the following procedure:

1. The governing board adopts a resolution listing the expenditure need by major classifications and the excess revenue assured to be received.
2. The resolution is submitted to the county superintendent of schools, and the budget shall be adjusted upon approval of the resolution by the county superintendent. (Education Code Section 21001 requires that the county superintendent approve any resolution for appropriating unbudgeted revenue received from federal or state sources for emergency needs.)
3. If the amount listed in the resolution is in excess of $1,000, the resolution shall be published in the same manner the regular school budget is published, and the budget shall be adjusted following publication.

Expenditure Control

The purpose of expenditure control is to be able to ascertain, at any point during the year, the financial status of the district and to be able to project, with a reasonable degree of accuracy, the financial condition of the district.

There are two primary bases for expenditure control: (1) by object; and (2) by program. In addition, a district may utilize other bases (site, department, and so forth) for control purposes; but since minimal state reporting currently requires data by object and by program, these formats provide a logical base for expenditure control.

Expenditure Control by Object

The two general types of object expenditure, each of which must be controlled in separate ways, are salary accounts and nonsalary accounts.

Salary accounts. Inasmuch as personnel and personnel-related costs comprise 80 to 90 percent of most district budgets, accurate expenditure control of salary accounts is essential. Such control may be exerted by means of personnel position allocations, by salary allocation control, or by a combination of both.

1. *Personnel position allocation*
   An adequate system for determining, recording, and reporting personnel position status is one of the most important expenditure control procedures available to a district. This procedure should be assigned to a responsible administrator at the district level. A personnel position system can be integrated procedurally into a total personnel system that begins with employment and follows through to expenditure distribution.
2. *Salary allocation control*
   In consideration of salary accounts, control is exerted in the 1000 and 2000 account series. Regular salaries, both full- and part-time, should be encumbered for the year at the time of employment. A method of liquidating encumbered salaries and charging monthly salaries should be established. (Refer to the *California School Accounting Manual* for accounting and encumbrance procedures.)

   Substitute, hourly, and overtime salaries need not be encumbered but should be expense items at the time of payment. The business office should review this type of expenditure and establish procedures for projecting anticipated costs.

Nonsalary accounts. Wherever possible, nonsalary accounts should be encumbered as soon as possible and a method of liquidating encumbrances should be developed.

Expenditure Control by Program

An adequate means of achieving control by program is accomplished by keeping a record of objects of expense within programs. A second

approach would be to maintain program control through means of subaccounts to the objects of expense. Still other districts, with computer capability, would be able to maintain control by program through proper sequencing of report format.

Revenue Control

Control (review) of the revenue budget as finally prepared and recorded on Form J-41-B (Annual Budget Report) is essential. The difference between budgeted and actual revenue may be significant. It is recommended that timely and thorough reviews be made throughout the fiscal year.

Revenue Limit

The revenue limit calculation in most districts accounts for over 90 percent of General Fund revenue. For this reason an analysis of revenue limit income must be included in the total review.

October Review of Revenue Limit

The October revenue limit review is most likely recalculated with enrollment data only. Actual summer school a.d.a. can be verified and should be used. The business official should determine whether or not actual enrollment varies significantly from that previously estimated. Expenditure adjustments may be necessary at the time of the review.

January (Form P-1) Report

Based on January Form P-1 (First Period Report of Attendance) a.d.a. data, a revised estimate of Form P-2 a.d.a. should be made for revenue limit recalculations.

April (Form P-2) Report

The April Form P-2 (Second Period Report of Attendance) report is the final revenue limit recalculation and is based on Form P-2 a.d.a. data.

Effect of Revenue Limit Review

The net effect of the revenue limit recalculation not only affects the current budget but also may have significant impact on revenue for the next fiscal year. Unless the actual a.d.a. and the actual tax collections (as well as other sources affecting the revenue limit) are the same as originally budgeted, adjustments to the current budget, as well as future considerations, will be required. In some districts it may be necessary to analyze all component sources of the revenue limit for cash flow.

Categorical Aid

The applicable budgetary controls are determined by the funding source. In the following paragraphs information is presented on the major revenue sources and related entitlement information.

Federal Aid

While federal projects are financed on an entitlement basis, it is not uncommon for these entitlements to change during the fiscal year. The project budget should be adjusted to conform to the revised entitlement.

State Aid

State grants for which budgetary control considerations are applicable include grants for special education programs, special projects, and transportation.

Special education programs. The state revenue that a district receives for special education programs is determined by the a.d.a. accumulated in the programs. The same time line used for the revenue limit review of enrollment and a.d.a. reports (October, January [Form P-1], and April [Form P-2]) should be used for special education programs. Possible deficit factors in state apportionments should be considered.

Special projects. State projects are financed on an entitlement basis. If entitlements change, the project budget may need to be adjusted to conform to the change.

Transportation. The apportionment for transportation is based on the previous year's annual report and is subject to adjustment after the budget adoption.

County and Local Aid

Districts may receive county and local grants for specific projects. Generally, these grants are fixed, and adjustments are seldom required as long as funds are expended within the limits of the grants. Additionally, several permissive restricted taxes are allowed at the local level which require individual controls.

Other Sources of Revenue

Some of the sources of revenue heretofore unmentioned which must be reviewed include abatements, fees, Forest Reserve funds, interest, adult education fees, rents, and leases.

Public Law 874

As soon as the survey required by Public Law 874 is completed and the appropriation level is determined by the federal agency, the unit rate is published and estimates of revenue may be made.

Miscellaneous Funds

The miscellaneous funds collected in accordance with Education Code Section 17606 must be calculated. Following this review, 50 percent of all funds collected are deducted from state apportionments.

Abatements

The district should distinguish clearly between abatements and receipts. The correct accounting procedure should be followed. The abatement accounting technique should not be abused to effect a reduction in expenditures. A description of the correct method for handling abatements is explained in the *California School Accounting Manual.*

Tools for Budget Implementation

The business official, in order to control the budget, must prepare revenue and expenditure reports so that data can be interpreted easily. Reports must reflect a good expenditure, accounting, and encumbrance recording system. In the *California School Accounting Manual,* adequate technical guidelines for establishing such a system are provided.

Budget Status Reports

Budget status reports indicating available appropriation balances and revenue to be collected must be timely and accurate and must reflect necessary adjustments. Reports should be prepared in both object and program formats. The detailed *object* budget status report is the primary "tool" for budget control. A sample budget status report is shown in Figure 1.

ACCOUNT NO.	ACCOUNT DESCRIPTION	TOTAL BUDGET	MTD ENCUM	MTD EXPEND	ENCUMBERED	EXPENDED	%	AVAILABLE BAL
0001	CERTIFICATED SALARIES							
0011	TEACHERS							
	CLASSROOM TEACHER	7,466,710.00	481,996.59%	487,312.59	6,486,894.41	482,649.67	100.0	2,820.08%
	COACH	90,880.00	0.00	0.00	90,880.00	0.00	100.0	0.00
	RESOURCE TEACHER	9,888.00	0.00	1,972.00	9,888.00	1,972.00	119.9	1,972.00%
	HOME TEACHER	7,879.00	182.00%	182.00	182.00	182.00	0.0	7,879.00
	SUB TEACHER - ILLNESS	82,712.00	0.00	0.00	82,712.00	0.00	100.0	0.00
	SUB-TEACHER/NON-ILLNESS	19,961.00	0.00	0.00	0.00	196.00%	1.7%	16,137.00
	SUB TEACHER-LONG TERM	22,856.00	0.00	0.00	22,856.00	0.00	100.0	0.00
	SABBATICAL LEAVE TEACH	26,210.00	2,183.67%	2,183.67	24,026.33	2,183.67	100.0	0.00
	HORIZONTAL MOVEMENT	77,071.00	0.00	0.00	77,071.00	0.00	100.0	0.00
	UNASSIGNED TEACHER	93,360.00	0.00	0.00	93,360.00	0.00	100.0	0.00
	TOTAL	7,893,903.00	484,352.26%	491,240.26	7,347,699.74	486,387.34	99.7	19,619.92
0012	SCHOOL ADMINISTRATORS							
	PRINCIPAL	432,180.00	48,660.80%	92,410.80	383,519.20	92,410.80	100.8	3,750.00%
	VICE PRINCIPAL	101,700.00	9,120.83%	9,120.83	96,579.17	9,120.83	100.0	0.00
	DEANS	118,610.00	9,847.38%	9,847.38	112,762.62	9,847.38	100.0	0.00
	TOTAL	652,490.00	99,629.01%	65,379.01	592,860.99	65,379.01	100.9	3,750.00%
0013	SUPERVISORS SALARIES							
	DIRECTOR	24,640.00	0.00	0.00	24,640.00	0.00	100.0	0.00
	SUPERVISOR	9,467.00	0.00	0.00	9,467.00	0.00	100.0	0.00
	COORDINATOR	126,599.00	8,341.66%	8,340.41	117,707.34	8,340.41	99.9	551.25
	DEPT CHAIRMAN	9,000.00	0.00	0.00	9,000.00	0.00	100.0	0.00
	SPECIALIST	38,787.00	1,991.33%	1,991.33	36,795.67	1,991.33	100.0	0.00
	TOTAL	208,493.00	10,332.99%	10,331.74	197,709.01	10,331.74	99.7	551.25
0014	LIBRARIAN SALARIES							
	SCHOOL LIBRARIAN	188,207.00	11,491.99%	11,491.99	176,715.01	11,491.99	100.0	0.00
	SUBSTITUTE LIBRARIAN	1,000.00	0.00	0.00	0.00	0.00	0.0	1,000.00
	TOTAL	189,207.00	11,491.99%	11,491.99	176,715.01	11,491.99	99.4	1,000.00
0015	GUIDANCE-WELFARE-ATTEND							
	COUNSELOR	329,260.00	16,961.83%	16,961.83	308,298.17	16,961.83	100.0	0.00
	PSYCHOLOGIST	97,712.00	5,869.33%	5,869.33	91,842.67	5,869.33	100.0	0.00
	TOTAL	422,972.00	22,831.16%	22,831.16	400,140.84	22,831.16	100.0	0.00
0016	PHYSICAL & MENTAL HEALTH							
	NURSE	86,517.00	2,789.84%	2,789.84	83,731.16	2,789.84	100.0	0.00
	TOTAL	86,517.00	2,789.84%	2,789.84	83,731.16	2,789.84	100.0	0.00
0017	SUPERINTENDENT SALARIES							
	SUPERINTENDENT	34,500.00	2,875.00%	2,875.00	31,625.00	2,875.00	100.0	0.00
	ASSIST SUPT	28,950.00	2,412.50%	2,412.50	26,537.50	2,412.50	100.0	0.00
	TOTAL	63,450.00	5,287.50%	5,287.50	58,162.50	5,287.50	100.0	0.00
0018	OTHER CERT. SAL-DIST OFC							
	DIRECTOR	26,220.00	2,185.00%	2,185.00	24,035.00	2,185.00	100.0	0.00
	TOTAL	26,220.00	2,185.00%	2,185.00	24,035.00	2,185.00	100.0	0.00
	CLASSIFICATION TOTAL	9,902,852.00	948,797.35%	609,606.10	8,880,889.69	604,541.18	99.8	17,421.13

Figure 1. Detailed budget status report

Personnel Status Reports

A detailed personnel status report is essential for control of regular salary categories of the budget. Personnel position allocations need to be established at the time of the budget process. Continuous updating is a personnel function which should be monitored closely by the business official.

The essence of the system is that each personnel position is established at the time of budget adoption. As the position is filled, an encumbrance is made. Personnel are not employed unless there is an open position. When it is necessary to establish additional positions, formal approval of the positions and the corresponding monetary allocations should be obtained from the governing board.

It is advisable to issue periodic reports of position status. The reports may be in summary or detailed format, or both. They may show position vacancies, as well as a comparison of estimated and actual costs.

Chapter Summary

The business official must be aware of legal and fiscal constraints in adopting and revising the district budget. The official must devise and implement procedures to control expenditures so that provisions of the Education Code are met and budgeted expenditures are not exceeded. Income controls must be devised and maintained so that the business official can determine whether the district is receiving income as estimated in the budget. Procedures must be developed so that both expenditures and income may be modified by the governing board during the fiscal year.

The business official may be either an authority figure or an adviser, depending on the district. In any case, the official must be aware of the district's financial status at all times so that decisions or recommendations can be made to safeguard the district's fiscal condition.

Chapter V

Budgeting Special Funds

In addition to the General Fund discussed in Chapter III, there are several special funds which districts may use for specific purposes. While school districts may not find it necessary to use all of them, special funds are an important part of the school budget. The funds other than the General Fund that require budgetary control include the following:

1. Building Fund
2. State School Building Fund
3. Special Reserve Fund
4. Cafeteria Account or Cafeteria Fund
5. Child Development Fund
6. Developmental Center for Handicapped Pupils Fund

Additionally, the Bond Interest and Redemption Fund is administered by the county auditor and is included for information purposes only. Also, community colleges have available several other funds.

Special funds are established by school districts only where the law permits or requires that they be established. The separate identity of monies raised or allocated for special purposes, including year-end balances, must be maintained and used for authorized purposes only.

A given expenditure may be chargeable to several funds. For example, an expenditure for the replacement of equipment or the purchase of supplies (other than food) for a school cafeteria is normally made from the Cafeteria Account or Cafeteria Fund. If the fund is insufficient for this purpose, however, the expenditure may be made from the General Fund. Interfund transfers should be carefully analyzed and considered in budget preparation.

Building Fund

The Education Code provides for the establishment of a Building Fund through deposit in the county treasury of proceeds from the sale of school district bonds (Education Code sections 21701 through 22152) or through the transfer of General Fund monies. Community colleges should refer to Education Code sections 20050 through 20085, "Community College Construction Act."

Legal Limitations

Resources of the Building Fund may be used only for the purposes stated in the bond indenture at the time that the bonds were voted. Education Code Section 21701 provides that bonds may be voted for the following purposes:

1. Purchasing school lots
2. Building or purchasing school buildings
3. Making alterations or additions to a school building or buildings other than those changes that may be necessary for current maintenance, operation, or repairs
4. Repairing, restoring, or rebuilding any school building damaged or destroyed by fire or other calamity
5. Supplying school buildings and grounds with furniture, equipment, or necessary apparatus of a permanent nature
6. Making a permanent improvement of school grounds
7. Refunding any outstanding valid indebtedness of the district, evidenced by bonds or state school building aid loans
8. Carrying out the projects or purposes authorized in Education Code Section 15811
9. Purchasing school buses that have a useful life expectancy of at least 20 years
10. Demolishing or razing a school building with the intent of replacing it with another school building in the same place or in another place

Steps in Budgeting

The following steps should be followed in budgeting for a Building Fund:

1. *Beginning balance*
   Cash in the county treasury and other assets of the Building Fund, such as cash collections awaiting deposit, investments in U.S. bonds, and accounts receivable, should be included in the beginning balance. Current liabilities included in the beginning balance should be limited to obligations for services already performed or to materials and equipment already received on or before June 30. No amount of liability should be undertaken for the uncompleted portion of work being performed by a contractor.
2. *Revenue*
   In anticipation of required revenue from the sale of bonds, the business officer should examine the building needs of the district. (Refer to Education Code sections 21702 through 22152 and to the section in this publication entitled "State School Building Fund" on pages 22 and 23.) In the examination, the following should be taken into consideration:
   a. The amount of bond proceeds from bonds already authorized but not yet issued
   b. The amount of bond sales anticipated from a bond election already scheduled but not yet held
   c. The amount of bond sales anticipated during the forthcoming year from a future bond election that has not yet been scheduled but that will be necessary to meet district building needs

   Amounts to be derived from the sale of personal or real property originally purchased from the Building Fund must be deposited in that fund and therefore may be budgeted as Building Fund revenue.
3. *Expenditures and transfers*
   Expenditures and transfers should be budgeted in accordance with the chart of accounts for the Building Fund.
4. *Ending balance*
   The ending balance should be predicted as accurately as possible to reflect the anticipated progress of the building program during the budget year. Accuracy in budgeting will help eliminate shortages in this fund.

State School Building Fund

The State School Building Aid Law of 1952, together with later enactments, makes available to qualifying school districts the funds needed to help in the purchase and development of school sites and the construction and equipping of buildings. Education Code sections 19551 through 19715 provide the legal basis for the apportionment of these funds by the State Allocation Board to the school districts. Districts that qualify for the aid must include in their budgets a State School Building Fund (Education Code Section 19623). The purpose of establishing the fund is to guarantee that all revenue and expenditures from the fund are properly accounted. The monies deposited to this fund are apportionments from the State School Building Fund, district contributions, and federal grants.

State Apportionments

Apportionments from the State School Building Fund are made by the State Allocation Board. A district's eligibility for these apportionments is established on the basis of qualification.

District Contributions

District contributions include funds raised through the sale of bonds, funds derived from the levy of a tax rate authorized by Education Code Section 15518, and the transfer of any funds available to the district. These transfers are made as required by the State Allocation Board as a condition of the district's participation in the State School Building Aid program.

Federal Grants

Federal funds may be secured under Public Law 815 by eligible districts. When such funds are received by a district, they may be used to reduce the amount allocated by the state from the State School Building Fund.

Expenditure Requirements

Any apportionment paid to a school district and deposited in the State School Building Fund is avail-

able for expenditure for not less than one year nor more than three years as the State Allocation Board shall determine. For the purposes of determining availability for expenditure, the funds are considered to be expended through the encumbrance of the funds on deposit in the county treasury by the creation of a valid obligation. After the period of availability, the unencumbered balance becomes due and payable to the state.

Each district that secures state building funds will receive detailed instructions from the California Office of Local Assistance and must make detailed reports as required. The State Controller and the Office of Local Assistance audit the fund to determine whether the money received by the district has been expended for the purposes authorized by the State School Building Aid Law. These audits are conducted on a project basis and they emphasize the need for an extensive accounting system and firm budgetary controls of revenue and expenditures. Only costs charged directly to the fund will be considered in determining the audited costs.

Repayments to the state on loans made to the district are based on a given number of years and are limited by the assessed valuation of the district and the annual amount of taxes required to service the eligible bonded debt of the district. Each year the amount due is withheld from the district's regular state apportionment, and the district is permitted to levy a tax to raise an amount equal to the amount withheld by the state.

Disposition of the proceeds of the sale and/or lease of property acquired through the use of State School Building monies is determined by state procedures and guidelines established by the Office of Local Assistance.

Special Reserve Fund

Education Code Section 21401 authorizes a school district to establish a Special Reserve Fund for capital outlay purposes. The legal limitations of the fund are as follows:

1. Funds may be derived from any source.
2. The governing board establishes the fund by resolution, specifying the purpose or purposes of the Special Reserve Fund.
3. The governing board may at any time file resolutions changing the purposes of the fund or withdrawing any purpose previously mentioned.
4. The governing board may at any time upon written request to the county superintendent of schools, county auditor, and county treasurer have the money transferred back to the General Fund of the district, with the exception of community college funds received as specified under Education Code Section 20206.
5. The Special Reserve Fund is to be used for capital outlay purposes only and includes salaries of school district employees whose work is directly related to such capital outlay projects.

The governing board may appropriate and expend the money in the Special Reserve Fund solely for the purpose or purposes specified in the resolution establishing the fund.

Bond Interest and Redemption Fund

Education Code Section 22101 authorizes the county board of supervisors to levy a tax annually within a school district to provide for the interest and redemption of all outstanding bonded indebtedness of the district. Government Code Section 29043 directs the county auditor to provide the bonded debt service requirements for the levy. The responsibility for the administration of the fund rests with the county auditor.

The Bond Interest and Redemption Fund is established for the sole purpose of payment of the interest and redemption of all outstanding bonded indebtedness of a district. No other expenditures are authorized within the fund. The steps in budgeting the Bond Interest and Redemption Fund are described in the following paragraphs.

Beginning Fund Balance

The beginning balance of the Bond Interest and Redemption Fund consists of the following:

1. Accounts receivable
2. Cash on deposit with the county treasurer, as well as cash awaiting deposit
3. Government obligations and any other legal investments of the fund

Fund Revenue

The primary source of income to the Bond Interest and Redemption Fund is the local tax levy. However, interest received for the investment of the fund with the county treasurer, along with other sources of revenue, shall accrue to the fund.

The amount of revenue to the fund must be sufficient to accomplish the following:

1. Pay interest on indebtedness as it becomes due.
2. Provide for the payment of indebtedness on or before it becomes due.
3. Provide a reserve.

In estimating interest and indebtedness, the district must provide the amounts that will become due up to the time of the first receipt of proceeds of the next following year's tax levy. At the time the revenue requirements for the fund are determined, a period of more than one year should be considered.

The annual reserve may be provided to prevent wide fluctuations in the tax rates to support the fund. This fact is of particular interest to school administrators concerned with the public relations aspect of tax rates.

Fund Expenditures and Other Outgo

The expenditure budget of the Bond Interest and Redemption Fund mainly reflects the amounts of interest to be paid and the principal to be retired during the fiscal year. The time span involved in this portion of the budget is different from that used in estimating revenue. Therefore, an ending balance is needed because cash is required to pay those obligations arising between July 1 and the next tax receipts, which are generally available in December. When the paying agent for an issue is other than the county treasurer, fees charged by the agent are chargeable to the Bond Interest and Redemption Fund.

Cafeteria Fund or Account

Education Code sections 17051 through 17103 provide for establishing the Cafeteria Fund or Cafeteria Account. The choice of using Cafeteria Fund or Cafeteria Account remains with the district. If a Cafeteria *Fund* is maintained, the money is paid into the *county treasury;* if a Cafeteria *Account* is maintained, the money is deposited in a *bank or banks.* In either case the following rules pertain:

1. The money may be used only for expenditures necessary for operating the cafeterias.
2. No money may be expended for capital outlay except that which is transferred from the General Fund for a specific purpose by governing board resolution.
3. Meals for needy pupils shall be paid from the Cafeteria Fund/Account and are reimbursed by the General Fund by transfer. An exception is made when donations are made directly to the Cafeteria Fund/Account for this purpose.

Steps in Budgeting

The following paragraphs describe the steps to be followed in budgeting for a Cafeteria Fund/Account.

Beginning fund balances. Cash in the Cafeteria Fund/Account, cash collections awaiting deposit, accounts receivable, and stores and prepaid expense should be included in the beginning balance of the Cafeteria Fund. Current liabilities must be included in the beginning balance and must be limited to obligations for services already performed or to materials and supplies received on or before June 30. If a cash reserve for the replacement of equipment has been maintained, debit balances should equal the credit balance of the accumulative equipment replacement reserve.

Fund income. Cafeteria Fund revenue is derived from cafeteria sales, federal subventions, donations, and General Fund special taxes raised to provide free meals for needy pupils. The following should be considered when anticipating revenue for the cafeteria:

1. Past student attendance and participation patterns
2. The amount of cash that will accrue from the sale of meals to eligible adults
3. Billings to the General Fund and other sources for free meals
4. Federal subventions, including (a) specified amounts of money provided for meals that meet given standards; (b) total meal reimbursement for free meals and reduced-price meals; and (c) the value of certain food items that are secured by paying only the cost of transportation

If an estimate of total income from sales, federal subventions, and donations is less than a reasonable estimate of proposed expenditures, a balanced budget may be achieved by charging against the General Fund a portion of estimated expenses (other than for food). This action would be taken only by a board resolution and would be budgeted

in accordance with the provisions of the *California School Accounting Manual.*

Fund expenditures. Expenditures from the Cafeteria Fund/Account include those required for the following purposes:

1. *Salaries.* All salaries are charged to the General Fund (Education Code Section 17103). The charges may be transferred to the Cafeteria Fund/Account later.
2. *Employee benefits.* These may include contributions to the district health and welfare programs, employee retirement funds, and insurance charges. These benefits shall be paid by the General Fund but may be reimbursed by the Cafeteria Fund/Account.
3. *Food.* All food must be purchased with the Cafeteria Fund/Account. No General Fund monies may be used for purchasing food for use in the cafeteria program.
4. *Operating supplies and expenses.* Such items as utilities, laundry, and fuel are included here.
5. *Repairs and replacement of equipment.* Repairs to existing equipment and replacement of equipment with equipment of approximately equal value are allowable as cafeteria expense.
6. *Other food services.* This includes costs for groceries and services to provide supplementary food service other than regular meals. Snack bar expenses is an example.
7. *Capital outlay.* Equipment may not be charged against capital outlay of the Cafeteria Fund/Account for the original purchase and should therefore be charged to the General Fund. Special provisions provide for funding central kitchens in certain-sized districts (Education Code Section 17052).

Ending fund balance. The ending balance includes (1) all cash in the county treasury for the Cafeteria Fund or the cash in a bank or banks for the Cafeteria Account; (2) cash collections awaiting deposit; (3) accounts receivable; and (4) stores and prepaid expense. Current liabilities and the accumulative equipment replacement reserve must be deducted to arrive at a net ending balance.

Child Development Fund

Education Code Section 16749 authorizes the establishment of a fund known as the Child Development Fund. Receipts deposited in the Child Development Fund in the county treasury have the following sources:

1. Apportionments of federal funds (Education Code Section 16781)
2. Apportionments of state funds (Education Code Section 16780)
3. Fees from parents
4. Revenue from a tax levied in accordance with Education Code Section 16750

Fund Budgeting–Apportionments

Child Development Fund apportionments are made on the basis of child attendance hours that are "federally eligible" or "nonfederally eligible."

"Federally eligible hours" of attendance are those hours of attendance at children's centers by children who meet certain economic criteria set forth in administrative regulations of the U.S. Department of Health, Education, and Welfare under portions of the Social Security Act. For these hours an apportionment, which may vary in amount per attendance hour (depending on the extent of available funds), is given from a combination of state and federal funds. Fees collected from parents may be deducted from the apportionment.

"Nonfederally eligible hours" are hours of attendance by children meeting state economic criteria but not qualifying for federal financial contributions. These hours are reimbursed to districts by a combination of apportionments and parents' fees.

There are also "full-cost" hours for which parental fees must be collected in an amount totaling the estimated actual hourly cost of the child center operations.

Apportionments are remitted to the county treasury to the fund of the district, based on periodic reports of attendance hours. Any balance due after year-end reports of total attendance hours and fees collected should be established as an accounts receivable.

In the determination of "costs" for the purpose of claiming maximum apportionment allowances, provision is made for a portion of district overhead. Capital outlay costs are not allowed unless specifically approved.

Fund Budgeting–Expenditures

All costs incurred in the maintenance and operation of child development services are paid from the Child Development Fund.

Development Center for Handicapped Pupils Fund

A school district governing board is authorized by law to establish in the county treasury a Development Center for Handicapped Pupils Fund (Education Code sections 6880 through 6880.50) to support a development center for handicapped pupils. The purpose of such a center is to provide educational opportunities for physically handicapped and mentally retarded pupils (ages three to twenty-one) for whom no other school program has been authorized by the Education Code.

The development center is supported by the state on the basis of child-hours of attendance. The Superintendent of Public Instruction apportions the state funds to the school districts or to the offices of county superintendents of schools. Revenue and expenditures are assigned to the Development Center for Handicapped Pupils Fund according to the classifications on budget form J-41B (Annual Budget Report).

In addition to the state funds, a school district or office of a county superintendent of schools maintaining a center may include in the budget an amount necessary to carry out the center's program. The tax levy necessary in such cases is in addition to any other school district tax authorized by law.

Chapter Summary

Administration of the district budget may involve any of several types of special funds, each of which has a purpose clearly apart from the General Fund. Expenditures may be paid from one or more of the special funds; therefore, the interrelationships between the funds should be analyzed carefully. It is important that the monies from a special fund be expended only for the purpose for which the fund was established.

Chapter VI

Communicating with the Community

"What is happening in the schools?" "How is the tax dollar being spent?" "Why is the district spending money for that program?" These questions are typical of those posed to governing boards and administrators by parents, taxpayers, school staffs, and other elements of the community. Frequently, the questioner is handed a formal copy of the budget and is told, "All the answers are in here."

Many people think of the budget as a tool to use to inform the public about the activities of the district. However, a budget is limited to conveying to the public the dollar resources required and the planned utilization of those resources. Mere reporting of resources and allocations tends to raise questions rather than provide answers.

Awareness by the public—parents, staff, taxpayers—is obviously a first step in formulating educational activities that meet the needs and concerns of the community. Since the budget cannot by itself accomplish this task, members of the district staff must interpret the budget in meaningful terms that will convey to the public the activities, the programs, and the needs of the districts.

This chapter identifies some of the major ways in which districts might communicate with the community. Each district must consider its own needs for communications and its internal abilities and limitations in developing methods of interpreting the budget. This chapter also reviews various approaches of what is conveyed to the community. Again, the individuality of the community and the programs of the district will prescribe what is reported. Finally, the chapter presents a variety of examples of reporting formats that might be utilized.

What Is Communicated?

The lay person, as well as district staff, must have a basic knowledge of the budgeting process and the ongoing activities of the district, including knowledge of the following:

1. What is a budget?
2. What is the purpose of a budget?
3. What is involved in developing a budget? What sources of revenue, categories of expense, involvement and participation, and time requirements are involved?
4. What constraints affect the development of the budget?
5. How is a budget administered?

When these questions are answered, the basic foundation of knowledge is provided for understanding of the budget.

Budget data are most meaningfully communicated when related to the instructional and support activities of the district. Districts must present budget data in program format. A district may also present a budget in function/object or some other format that meets the needs of the district and the community.

Additional information that must also be communicated and which may be essential to the development of the budget includes the following:

1. Tax rates
2. Staffing ratios (teaching)
3. Enrollments
4. Cost per pupil
5. Assessed valuation per a.d.a.
6. Multiyear projection
7. Community growth
8. Salary trends
9. Staff requirements (nonteaching)
10. Revenue limit
11. Revenue source
12. Percent of budget for salaries and related costs

Ways of Communicating

After the budget information has been prepared, it should be presented to the community. The method of communication will vary from district to district, with the budget material adapted to meet the needs and interests of the particular audience.

Media and techniques to use in providing information to the general public or selected groups are listed below. The district may utilize any or a combination of these methods to communicate to the community.

Groups	*Media*	*Techniques*
PTA	Personal presentations	Charts
General public	Newspaper	Annual reports
Board of education	Radio	Brochures
Chamber of commerce	Television	Reports
Service clubs	Mailings	Press releases
	Take home with students (school notices)	

On the following pages are examples of how information has been presented by some school districts. Also shown are possible ways in which budget data may be presented in program format. The three types of report formats illustrated are statistical, statistical with limited narrative, and narrative.

Chapter Summary

Communication of budget information to people other than school personnel has been a shortcoming of many districts. This chapter is presented in a way that might assist those responsible for interpreting the contents of the budget to analyze the public's need for information. In other words, financial information should be geared to the audience's level of understanding of school district affairs to be sure that such information may be absorbed.

The first prerequisite to effective communication is that the presenter wants the audience to understand and absorb—and not have to interpret. Short, concise statements seem to meet this need best.

Several alternative methods of giving information to the public are presented in this chapter. It is up to the governing board and its staff to analyze its own constituency and present its own information in the manner that best accommodates the community's needs.

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Figure 2. From *Statistical, Financial, and Personnel Data,* Los Angeles Unified School District

POPULATION, AREA, AND PROPERTY

	Population		Area
	1970 Census	1972 Est.	
Unified District	3,402,804	3,432,044	710.01
City of Los Angeles	2,809,967	2,836,400	463.69
County of Los Angeles	7,040,335	7,085,380	4,082.21

VALUATION OF SCHOOL DISTRICT PROPERTY

	1969-70	1970-71	1971-72
Land	$ 138,742,349	$ 142,202,353	$ 145,540,263
Building & Appurtenances	849,778,253	864,763,419	883,778,368
Equipment	98,574,624	103,014,150	107,614,817
Total	$1,087,095,226	$1,109,979,922	$1,136,933,448

Land was appraised during 1923-24. Property acquired by annexation has been appraised; other properties are at cost.

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FACILITIES

SCHOOLS

	1971-72	1972-73
Elementary (Incl. Special Education)	451	451
Junior High	75	75
Senior & Special High Schools	62	61
Continuation High Schools		29
Community Adult Schools	28	28
Regional Occupational Centers	5	6
TOTAL SCHOOLS	621	650

FOOD SERVICES

Cafeterias

Elementary Schools	339	Senior High Schools	52
Junior High Schools	77	Offices	2

Other Lunch Programs

Hot Pack Lunches at 15 schools — Bag Lunch Program at 57 schools

CHILDREN'S CENTERS number 75 of which 63 are pre-school and school-age centers, 8 school-age centers, and 4 pre-school centers.

DEVELOPMENT CENTERS FOR HANDICAPPED MINORS: 3

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TREND OF COSTS – CURRENT EXPENSE OF EDUCATION

(Combined Regular and Specially Funded Programs)

Year	Avg. Daily Attendance	% Inc.	Per ADA	% Inc.	Amount	% Inc.
1967-68	656,007	1.9	$638.15	7.6	$418,628,457	9.6
1968-69	664,215	1.3	728.14	14.1	483,642,163	15.5
1969-70	656,658	1.1 Decr.	785.80	7.9	516,001,099	6.6
1970-71	691,424	5.3	822.15	4.6	568,457,070	10.2
1971-72	678,928	1.8 Decr.	907.72	10.4	616,276,018	8.4

ASSESSED VALUATIONS

Year	Assessed Valuation	% Inc.	*Assessed Valuation Per Unit ADA Kgn. – 8	GR. 9 – 12
1968-69	$8,464,340,950	3.74	$17,349	$41,429
1969-70	8,858,091,904	4.65	18,463	40,643
1970-71	9,275,802,144	4.72	19,809	45,990
1971-72	9,573,177,341	3.21	20,023	43,335
1972-73	10,009,324,997	4.56	21,513 Est.	45,876 Est.

*Per Pupil Assessed valuation for State Foundation Program Computation.

Assessed valuation per unit ADA was computed on figures (not included in the table) applicable to the levels shown.

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Figure 2. From *Statistical, Financial, and Personnel Data*, Los Angeles Unified School District (continued)

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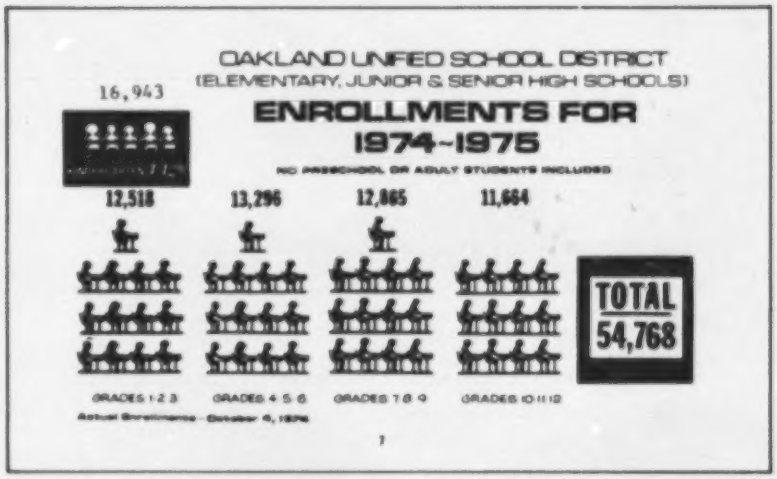
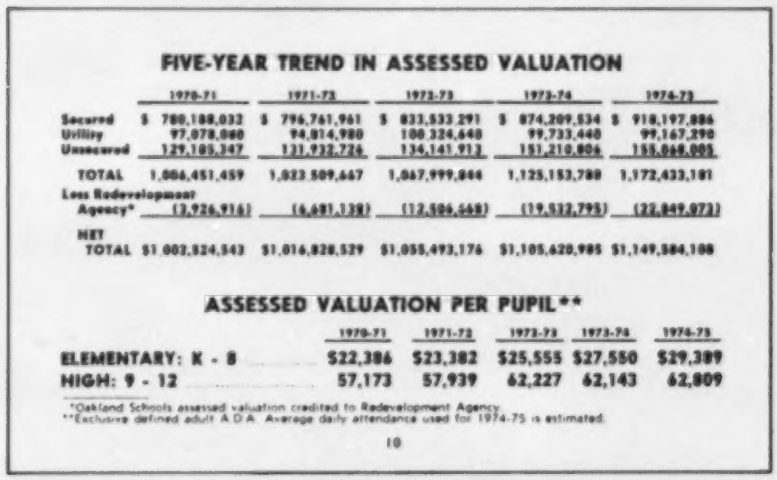
Figure 3. From *Statistical and Financial Data*, Oakland Unified School District





FIVE-YEAR TREND IN ASSESSED VALUATION

	1970-71	1971-72	1972-73	1973-74	1974-75
Secured	$ 780,188,032	$ 796,761,961	$ 833,533,291	$ 874,209,534	$ 918,197,886
Utility	97,078,080	94,814,980	100,324,648	99,733,440	99,167,290
Unsecured	129,185,347	131,932,726	134,141,913	151,210,806	155,069,005
TOTAL	1,006,451,459	1,023,509,667	1,067,999,844	1,125,153,780	1,172,433,181
Less Redevelopment Agency*	(3,926,916)	(6,681,138)	(12,506,668)	(19,532,795)	(22,849,073)
NET TOTAL	$1,002,524,543	$1,016,828,529	$1,055,493,176	$1,105,620,985	$1,149,584,108

ASSESSED VALUATION PER PUPIL**

	1970-71	1971-72	1972-73	1973-74	1974-75
ELEMENTARY: K - 8	$22,386	$23,382	$25,555	$27,550	$29,389
HIGH: 9 - 12	57,173	57,939	62,227	62,143	62,809

*Oakland Schools assessed valuation credited to Redevelopment Agency.
**Exclusive defined adult A.D.A. Average daily attendance used for 1974-75 is estimated.

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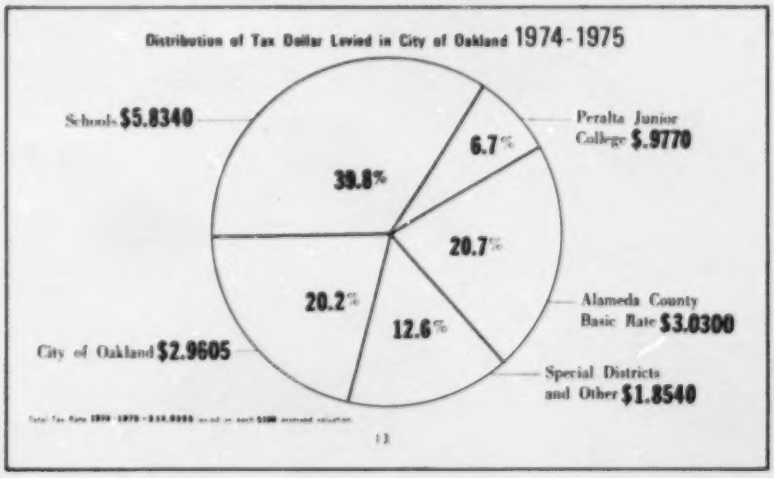
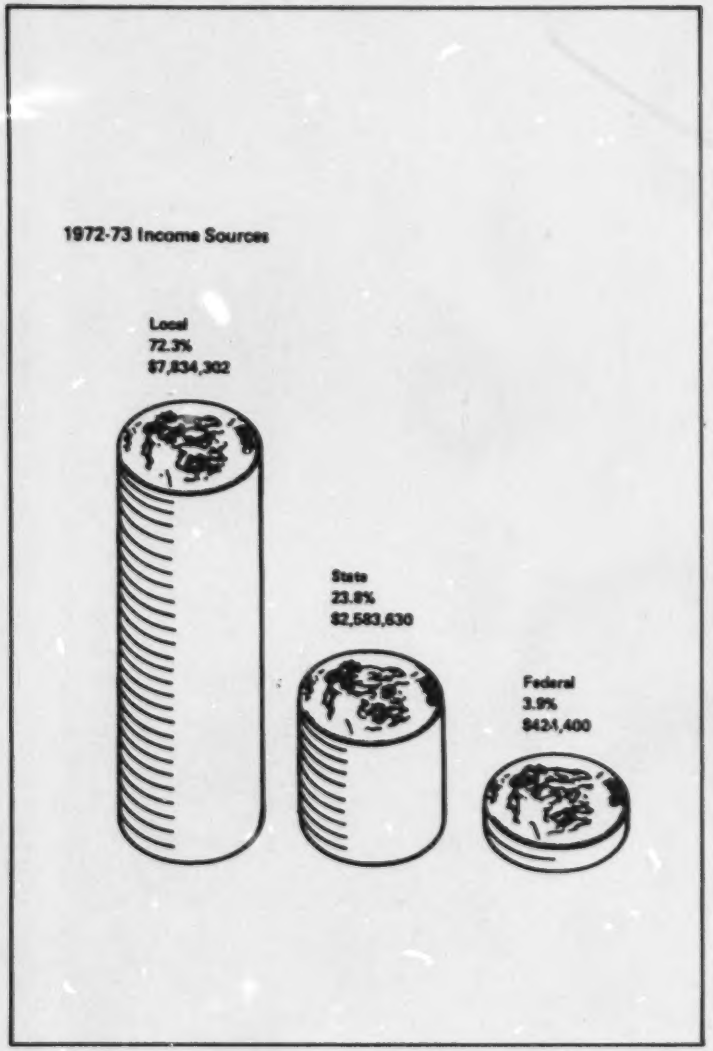


Figure 3. From *Statistical and Financial Data*, Oakland Unified School District (continued)



Where does the money come from?

Local property taxes are the primary source of school revenue in Sunnyvale School District. Nearly 72.3% of the district's income comes from taxes collected from individual residents, commercial businesses and industry.

In April 1972 Sunnyvale voters approved continuation of a maximum general purpose tax rate of $2.75 per $100 assessed valuation to June 30, 1975.

Restricted purpose taxes (bond interest and redemption, employee retirement, insurance, community services, social security, health and welfare) are authorized by law and bring the total elementary school tax rate to $3.54. This is a portion of the total tax rate which residents pay to the County Collector. Also included are payments to city and county governments, Foothill College, Fremont High School District and other taxing agencies.

The amount of money an individual or business pays is determined by applying the established tax rate to each $100 of assessed valuation, which represents 25% of the estimated market value of property. Residents receive a $750 exemption of valuation and businesses are exempt for a percentage of their inventory assessment.

State support contributed 23.8% of 1972-73 income. A large source of income is the principal apportionment which is determined by a statewide funding formula based on the number of pupils and assessed valuation of the district. The basic state allowance of $125 per student yearly is supplemented by area-wide equalization aid, which varies in accordance with a district's taxable worth. Additional state allowances help provide special education programs for children who are deaf, mentally retarded, gifted or educationally handicapped. The state also pays a portion of the cost of transportation. The percentage of state support of California schools has steadily declined in recent years.

Federal funds, 3.9% of the budget, provide most categorical aid earmarked for specific programs, including Title I, Title II, Title III and Pre-school programs. A small percentage of federal funding, impact aid, is payment made for students whose families work on un-taxed, federally-owned property, and may be used for general purposes.

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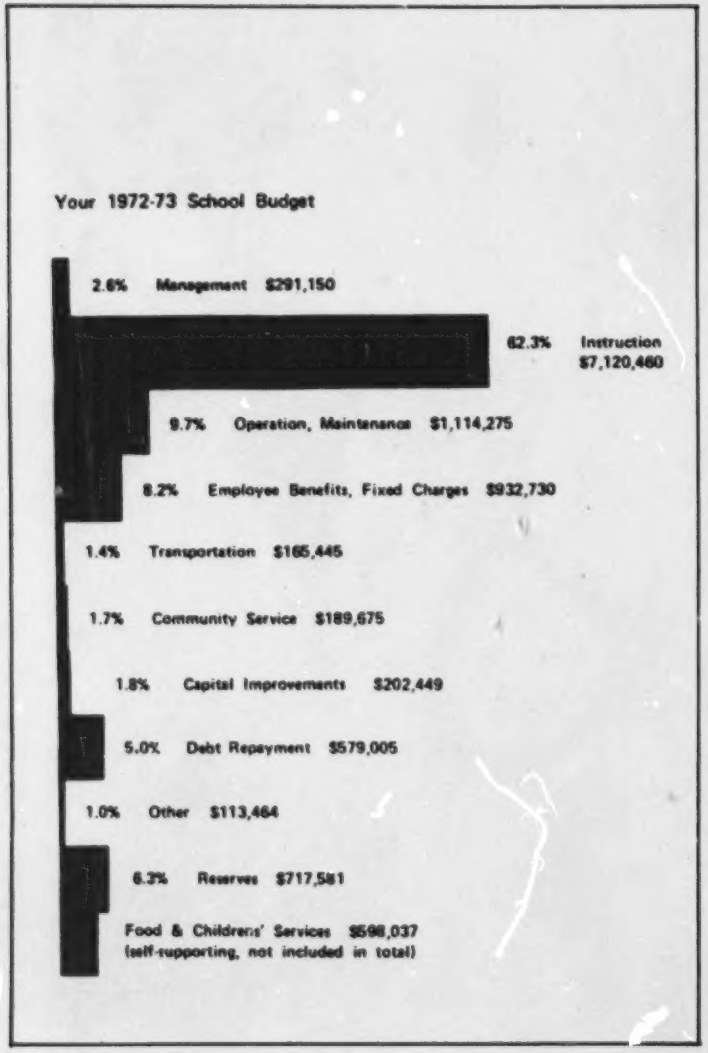
Figure 4. From *A Guide to Understanding Your School Budget*, Sunnyvale Elementary School District



Who decides how the money is spent?

The school district budget is an educational plan translated into dollars and cents. Three major groups contribute to the process: principals and administrators, certificated and classified employees, and the Board of Education.

Preparing the educational plan . . .

Principals and department chairmen consult with school staff members to plan the educational program for the next year and prepare budget requests. A staffing plan is developed and personnel costs are projected. Based on expected enrollment, provisions are made for books and supplies. The business office estimates operating costs, including amounts for heating, lighting and refuse disposal. A small reserve is set aside for unanticipated emergencies.

Determining salary levels . . .

Under the Winton Act, state law requires the Board or its representative to meet and confer with employee organizations in matters affecting salaries, hours, terms of employment and other working conditions. Certificated personnel are represented by the Sunnyvale Education Association (SEA). Classified personnel participate in similar discussions through their representative organization, the California School Employees Association (CSEA). Final decisions are made by the Board of Education.

Budget revisions and adoption . . .

Following several months of review, a tentative budget for the following year is presented to the Board in June. Program requirements, priorities and anticipated income are considered, and following any revisions, the Board of Education approves the budget for publication in mid-July. A public hearing is announced, and the final budget is adopted and filed with the County Superintendent's office in August.

Adjustments for income uncertainties are made as more information becomes available. An assessed valuation figure for property within the district, which establishes the tax base available to Sunnyvale School District, is provided by the county assessor sometime after mid-July. Enrollment, on which most state income is based, is not known precisely until school begins in fall. State support is also affected by legislative revisions, which sometimes occur after final budget approval. Similarly, the level of federal income is often not set until the school year is well under way.

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Figure 4. From *A Guide to Understanding Your School Budget*, Sunnyvale Elementary School District (continued)

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Figure 5. From *A Taxpayer's Guide to School Finance,* **Palo Alto City Unified School District**

who decides how the money is spent?

The Board has the final decision on all budgetary matters. However, the Board works very closely with administrators and employee organizations, in making decisions about how much money will be spent, and how it will be allocated.

Officially, the budget-making process begins in January each year, when schools and departments submit their budget requests for the next fiscal year. Prior to that time, principals and department chairmen have been consulting with staff members (and often with students and parents as well) in preparing their budget requests.

During the next several weeks the Superintendent's Cabinet reviews these budget requests, and draws up a Preliminary Budget, which includes all anticipated income, and estimates of all expenditures.

State law provides for the participation of recognized employee organizations in decisions affecting budget allocations. This law, known as the Winton Act, provides that the Board of Education (or its designated representative) shall "meet and confer" (upon request) with representatives of the district's employee organizations on items such as salaries, hours, terms of employment and other working conditions. In the PAUSD, certificated personnel are represented through the Certificated Employee Council (CEC), and classified personnel through Chapter 301 of California School Employees Association (CSEA), and Local 715, Service Employees International Union, AFL-CIO. The Superintendent serves as the Board's representative in "meeting and conferring" sessions. Late in March, the Cabinet's Preliminary Budget is sent to employee groups for their consideration. Then, the Preliminary Budget is presented to the Board at a public meeting for its comments and review.

Following this meeting, the Cabinet reworks the budget, and comes back to the Board early in June with a Tentative Budget. When the Board approves the Tentative Budget for publication, this budget is then filed with the County Superintendent's Office.

Meanwhile, the county tax assessor has been conducting his annual assessment of property located within the PAUSD. This assessment establishes the amount of the "tax base" that's available to the PAUSD and other public agencies which levy local property taxes. In July, the assessor notifies the PAUSD of the final assessed valuation of the property in the PAUSD. After making any necessary revisions in its Tentative Budget, the

when are budget decisions made?

Board conducts a public hearing in early August and adopts its annual Operating Budget.

As you can see from the calendar below, the 1973-74 budget-making process is already underway:

1973-74 OPERATING BUDGET CALENDAR

DATE	ACTION
Jan. 2	Superintendent and Board of Education hold preliminary budget discussions
Jan. 19	Schools and departments submit budget requests to Superintendent's Cabinet
Feb. 16	Cabinet reviews budget requests
March 16	Cabinet reviews Preliminary Budget
March 27	Employee organizations receive copies of Preliminary Budget
Apr. 3	Board reviews Preliminary Budget
May 11	Cabinet completes final review of Tentative Budget
June 5	Board reviews Tentative Budget
June 19	Board approves Tentative Budget for publication
June 29*	PAUSD files Publication Budget with County Superintendent
July 13	PAUSD receives preliminary assessed valuation
July 27	PAUSD receives final assessed valuation
July 24-28*	County Superintendent publishes PAUSD Budget
Aug. 7	Board holds public hearing and adopts Operating Budget
August 10	PAUSD files adopted Operating Budget with County Superintendent

*legal deadline

Figure 5. From *A Taxpayer's Guide to School Finance*, Palo Alto City Unified School District (continued)

some of the factors that complicate budget-making

INCOME UNCERTAINTIES

One way to prepare a budget is to figure out how much you have to spend, and then decide how to spend it. Another is to decide how much you need to operate each school and department, and then add up these figures to see if you have enough income to cover your anticipated expenses. In the PAUSD, we try to use both methods but in either case we are hampered by a lag in income information.

As we mentioned earlier, our income comes primarily from property taxes, and it depends not only on the tax rate, but also on the assessed valuation (the worth) of what is being taxed. The problem here is that the assessment is not reported until the middle of July. As a result, the school district must prepare its entire budget each year BEFORE it knows how much it has to spend. Of course, it's possible to make some guesses about what the total valuation will be in 1973-74 based on what it has been in previous years. Assessment rises in proportion to the value of property and the volume of new construction, and the district can usually assume that assessed valuation in Palo Alto will rise somewhat each year. But the rate at which it will rise is always a matter of speculation.

Furthermore, with the passage of state finance law SB 90, the next fiscal year's student population is now a crucial factor in budget-making. SB 90 sets income limits based on the total number of students. Thus, each student in grades K-12 represents a potential gain—or loss—of $1,600.* Being able accurately to predict next year's enrollment is obviously important.

*As defined by the state, a student represents full-time attendance for a regular school year. Student enrollment in summer school and adult education is included, calculated on a full-time nine-month equivalent.

If the district's income doesn't measure up—if for some reason officials drastically overestimate the district's income or underestimate its expenses—the district would be in real trouble. It is legally forbidden to borrow money for operating expenses from outside sources.

School officials do build a small buffer—a reserve fund—into the budget each year. (The rule of thumb is 5 percent of the total Operating Budget.) However, this general reserve fund is only large enough to compensate for minor miscalculations—not major ones.

EXPENSE UNCERTAINTIES

Because the "cost of people" accounts for 87.8 percent of the total Operating Budget, the decisions that are reached about this part of the budget have a far-reaching impact on the amounts that are budgeted for other types of expenses.

Thus, it's not until the Board has reached agreements with the various employee groups that it really knows how much it can allow for other portions of the budget.

Furthermore, the negotiating of salary schedules is only part of the salary story. After working three consecutive years in the PAUSD, all certificated personnel are eligible for tenure. In most cases, the district is obligated by law to provide positions for all of its tenured personnel, and pay them on the Board-adopted salary schedule, according to their educational training and teaching experience.

Also of significance in the total budget picture are certain rising costs over which the district has very little control. Although the cost of living is not now rising as fast as it has been in recent years, inflation continues to affect the price of supplies, utilities, materials and services. In addition, maintenance costs increase as buildings grow older, so the district would need to increase its maintenance budget each year even if the costs of services and supplies were not rising.

The district's salary schedule provides more pay for additional years of service, so employees' salaries increase automatically as they remain with the district for longer periods of time.

The fact that our student enrollment is declining means that some costs are also declining. The number of staff members is being decreased, and two elementary schools have been closed. But even a partially-full school needs its own principal and supporting staff. Furthermore, the district has proportionately more twelfth graders and fewer kindergarteners each year, and it costs more to educate secondary students than elementary students. As a result, it's not possible to estimate expenses solely by calculating them on the basis of "costs per pupil".

Figure 5. From *A Taxpayer's Guide to School Finance*, Palo Alto City Unified School District (continued)

how can you have a voice in what's decided?

It's true that the budget process is regulated by schedules and laws. However, the taxpayer is able to influence three major budget factors.

These are (1) the amount of money that's spent on the educational program, (2) how this money is allocated, and (3) the size of the tax rate levied on property in the district.

The Board of Education is elected by the citizens of Palo Alto to represent them in the governance of their schools. To make budgetary decisions that best reflect the wishes of its constituents, the Board needs to hear what individual citizens are thinking.

How can you let the Board know what you think? By doing the following:

1. **Become informed in a general way about the entire budget-making process, and the constraints which affect the outcome.**

   If your opinions are to be useful to the Board, you must make suggestions within the realm of what's possible.

2. **Decide what your priorities are, and why you feel as you do.**

   This kind of information is especially helpful when the Board is faced with difficult decisions about complex issues.

3. **Outline your views in a letter to the Board.**

   This letter should be sent to the Superintendent of Schools, who acts as the Board's secretary. Address your letter as follows:

   Dr. Harold Santee, Secretary
   Board of Education
   Palo Alto Unified School District
   25 Churchill Avenue
   Palo Alto, California 94306

4. **Speak up at one of the public meetings when the Board will be discussing the budget.**

   The dates of these meetings are Tuesday, April 3; Tuesday, June 5; Tuesday, June 19; and Tuesday, August 10.

   Unless otherwise announced, all of the meetings will be held in the Board Room at 25 Churchill Avenue, beginning at 7:30 p.m.

5. **Join the efforts of one of the organizations that is active in the budget process.**

   Each year, a number of organizations express their views about the Operating Budget. Among these are the League of Women Voters, the Forum for Education, school PTA units, and the Palo Alto PTA Council.

Obviously, the decision about who is elected to the Board of Education has a very real impact on the budget-making process. One of the most significant ways you can have a long-term impact on the school budget is by helping to elect a Board member who shares your views on school finance. This year, the Board election will be April 17.

It should also be pointed out the State Legislature, the State Department of Education and even the U.S. Congress have a great deal to say about the way the PAUSD may spend its money, and the amount of money it will have to spend.

You can also have an influence on the local budget-making process by expressing your views on school finance to State Legislators and U.S. Congressmen.

Figure 5. From *A Taxpayer's Guide to School Finance*, Palo Alto City Unified School District (continued)

XYZ School District

DISTRICT BUDGET BY MAJOR PROGRAMS

	General fund	*All other funds*	*Total, all funds*
INSTRUCTIONAL PROGRAMS			
General Education			
Preformal			
Elementary			
Secondary			
Adult			
Subtotal			
Special Education:			
Preformal			
Elementary			
Secondary			
Adult			
Subtotal			
SUBTOTAL, INSTRUCTIONAL PROGRAMS			
SUPPORT SERVICE PROGRAMS (DISTRICT TOTALS)			
Instructional Support:			
Instructional Administration			
Instructional Media			
School Administration			
Subtotal			
Special Projects (Federal and State Categorical Aid Programs)			
Pupil Services			
General Support:			
District and County Superintendents Administration			
Maintenance			
Operations			
Transportation			
Subtotal			
Auxiliary Programs:			
Community Services			
Food Services			
Facility Acquisition and Construction			
Subtotal			
SUBTOTAL, SUPPORT SERVICE PROGRAMS			
OTHER OUTGO			
Tuition			
All Other Outgo			
Subtotal			
TOTAL, EXPENDITURES FOR INSTRUCTIONAL PROGRAMS, SUPPORT SERVICE PROGRAMS, AND OTHER OUTGO			

Figure 6. Sample district budget

XYZ SCHOOL DISTRICT
GENERAL FUND BUDGET

A school district budget contains the proposed income and expenditures to facilitate the goals and objectives of the district.

All expenditures are reported in accordance with object accounting categories established by the State Accounting Manual. Object expenditures refer to the nature of the expenditure or "for what - i.e., salaries, supplies, equipment and benefits."

In addition, the expenditures are referred to by Program - a program is defined as a grouping of proposed object of expenditures to the series of activities they are intended to support. When object of expenditures are so grouped, they form a program expenditure budget.

Program Reporting:

The two major district programs are as follows:

1. All Instructional Programs: This major (Level II) program includes all costs for the direct instruction of pupils.
2. Support Programs: This major (Level II) program includes the cost of all activities which support the instructional programs.

Object of Expenditure	All Instructional Programs	Support Programs	Total General Fund Budget
Certificated Salaries	$ 186,200	$ 80,000	$ 266,200
Classified Salaries	15,250	10,000	25,250
Employee Benefits	43,250	15,500	58,750
Books & Supplies	12,050	5,000	17,050
Equipment Replacement	3,250	4,000	7,250
Contracted Services	1,000	2,000	3,000
Other	200	500	700
Capital Outlay	4,450	2,000	6,450
Other Outgo	10,000	5,000	15,000
Total Expense	275,650	124,000	399,650
Ending Balance/Reserves		20,000	20,000
Total Budget	$275,650	$144,000	$419,650

Instructional programs are further sub-divided into 2 major programs.

Object of Expenditure	General Education	Special Education
Certificated Salaries	$ 166,200	$ 20,000
Classified Salaries	13,850	1,400
Employee Benefits	41,250	2,000
Books & Supplies	11,050	1,000
Equipment Replacement	3,050	200
Contracted Services	1,000	--
Other	200	--
Capital Outlay	4,300	150
Other Outgo	2,000	8,000
Total Expense	$ 242,900	$ 12,750

AND/OR

K-12 General Education Instructional Program

K-6	7-8	9-12
$86,350	$135,300	$170,650

K-12 Special Education Programs

K-6	7-8	9-12	Adults
$17,300	$6,700	$5,450	$8,000

DISTRICT TOTAL

K-6	7-8	9-12	Adults
$90,850	$141,300	$177,300	$8,000

Support programs are further sub-divided into 5 major programs.

Object of Expenditure	Instructional Support	Special Projects	Pupil Service	General Support	Auxiliary Programs
Certificated Salaries	$40,000	$20,000	$20,000	$ -	$ -
Classified Salaries	2,000	1,000	2,000	4,000	1,000
Employee Benefits	5,500	4,000	4,000	1,500	500
Books & Supplies	2,500	2,000	500	-	-
Equipment Replacement	1,000	1,000	1,000	1,000	-
Contracted Services	1,000	500	500	-	-
Other	-	250	-	250	-
Capital Outlay	500	-	-	-	1,500
Other Outgo	3,000	2,000	-	-	-
Total Expense	$55,500	$30,750	$28,000	$ 6,750	$ 3,000
End. Bal/Reserves	-	-	-	20,000	-
Total Budget	$55,500	$30,750	$28,000	$26,750	$ 3,000

OR

These programs may be further detailed to Level IV or they may be shown in summary form as follows:

Instructional Support	$55,500
Special Projects	30,750
Pupil Service	28,000
General Support	26,750
Auxiliary Programs	3,000
Total Budget	$144,000

Figure 6. Sample district budget (continued)

XYZ School District

We transport 3,500 students daily to and from school utilizing 10 full-time bus drivers. Our buses travel over 600 miles per day carrying students who live more than 3/4 mile from school or who would have to walk alongside hazardous thoroughfares where there are no sidewalks.

Additionally, we contract with a private firm to provide transportation for physically handicapped students. Most repair and service is done by a mechanic, although some unique repair work must be done commercially.

The budget for operating the transportation program is $162,000; this amount is allocated as follows:

TRANSPORTATION PROGRAM BUDGET

Classified Salaries	$79,000
Supplies	13,000
Equipment Replacement	16,000
Services	42,000
Employee Benefits	12,000
	$162,000

This year we will begin a three-year lease, with option to purchase, of a new 79-passenger diesel engine bus to replace an 18-year-old bus with over 175,000-miles on it. We will spend $13,000 for fuel, oil, tires, batteries, and other supplies.

Not reflected in the above costs are the field trips, athletic trips and other special event trips which are budgeted at the school level and are provided by the Transportation Department. On an average, these amount to 12,000 miles per year.

The coordination and scheduling is handled by a supervisor who also doubles as substitute driver and mechanic.

In the last 15 years, this department has logged over 1,620,000 accident-free miles.

Figure 6. Sample district budget (continued)

XYZ School District
CAREER BUSINESS EDUCATION PROGRAM

"Distribution" (or Sales) is the grease for the wheels of the American Economy. Did you know that "your school district" offers its students a chance to learn the basics of Distribution, Retailing, and Salesmanship? Our Cooperative-Distribution Education Program offers on-the-job training combined with classroom reinforcement that will allow your child a chance to learn how to make a living in the world of Sales. They learn how to estimate the need, order the right sizes and quantities, approach the customer, close the sale and deliver the goods to a satisfied customer. Remember, 80% of the jobs in this economy are in these areas; so if your family is interested, contact your local counselor or business department chairman and they will give you the business for life.

CAREER BUSINESS EDUCATION
PROGRAM BUDGET

Certificated Salaries	$60,000
Classified Salaries	10,000
Employee Benefits	6,000
Books & Supplies	10,000
Equipment Replacement	1,000
Contracted Services	1,000
Other	100
Capital Outlay	3,000
Total Budget	$91,100

There are opportunities for 130 students in this program. They will be taught in the classroom by a teacher who is qualified in these areas and supervised on the job by a coordinator who has earned his own living in the world of business.

Figure 6. Sample district budget (continued)

Chapter VII

Evaluating the District Budget

The budget of a school district provides the essential ingredients for the operation of the school system. Serious failings will occur in plans or programs if adequate finances are not provided. Efficient school management requires that the budget be prepared according to a well-defined plan which includes the following:

- Formulation of budget policies
- Formulation of fiscal policies
- Identification of and provisions for meeting needs
- Efficient utilization of all pertinent data
- A balance between revenue and expenditures, including reserves
- Presentation, publication, and final adoption of the budget

The budget of the district should be evaluated in relation to fulfillment of district philosophy, development processes, ability to relate resources to programs, and district administration.

Budget Philosophy

The assessment of the budget should be made in relation to the philosophy of the district as established by the governing board. The philosophy indicated in the district policies should present a sound, practical, and objective plan for the preparation and control of the budget.

The philosophical viewpoint of the district should be reflected in policies that are specific, such as concerning class size, salaries, and formulas for allocating resources for instructional, custodial, and maintenance programs. Other considerations to be evaluated are the purposes of the budget and the steps taken to achieve these purposes. Constant changes in programs necessitate that policies be constantly reexamined and evaluated.

Budget Development

Proper development of the budget should be considered in the evaluation process. Evaluation may be based on the steps taken in the budgeting process, such as planning, preparation, presentation, adoption, execution, and appraisal.

Considerations in budget development are the educational program to be maintained, staff, supplies, equipment, and facilities. The development of a budget depends on the involvement of all employees of the district. Staff members should be aware that the budget is not strictly a business office document. It is, rather, a complete financial picture of the district programs, and it should be used by all departments as a management tool.

During the evaluation, consideration should be given to legal requirements, budget cycle and calendar, persons responsible for budget development, and the budget adoption process. Development includes the estimating of revenues and computation of expenditures for all budgeted funds.

Budget Program

A third area of evaluation is related to program budgeting. Factors such as goals, objectives, and program structure of the district may be considered. Decisions regarding the allocation of resources of money, staff, equipment, or time rely on the success of programs in relation to the long-range goals and objectives. The total requirements of the district are reflected in the programs; and, if evaluated properly, the budget will be meaningful to educators, members of governing boards, legislators, and the community.

Budget Administration

Administration of the budget is usually the responsibility of the assistant superintendent for business or the business manager. The responsibilities include, but are not limited to, budget

information and controls through monthly financial reports to the governing board and staff and utilization of proper forms for budget control. In addition, proper income projections and cost analyses are the factors which make budgeting a process that is continuous. The procedure should be definitive, and the procedure should be clearly understood by those who are responsible for the administration of the district budget. An understanding of the fundamental budget elements will increase efficiency and expediency of budget administration.

Phases of budget evaluation include the establishment of goals and objectives before the budget year begins, constant evaluation of balances within funds during the year, and the success in achieving program objectives.

Ongoing evaluation during the year should be made at predetermined intervals. Fiscal evaluation should include detailed examination of appropriations, encumbrances, and expenditures in individual accounts, programs, and funds, as well as for the total budget.

Evaluation will indicate the success of allocating resources and expenditures to programs. Such evaluation will help in reducing or eliminating fiscal weaknesses or problems. Evaluation of the areas of the budget (philosophy, development, administration, and programs) together with the educational and instructional evaluations of the staff should lead to reasonable and concisely planned decision making for the future. The evaluative process of the budget involves the entire staff in all programs on a continuing basis.

Appendix

Suggested Budget Checklist

The administration of the school district budget should be subjected to constant evaluation. This evaluation may be made in a variety of ways, one of which is by using the following checklist in which consideration is given to each phase of the budget procedure.

	Yes	*No*
Legal Requirements		
Does the district file a tentative budget on the prescribed budget form with the county superintendent of schools on or before the first day of July?	____	____
When the district's tentative budget is returned by the county superintendent of schools, does the district make all changes in the budget that are desirable or necessary?	____	____
Does the district return the amended budget for publication to the county superintendent of schools on or before the twentieth day of July?	____	____
Does the district hold a public hearing during the first week in August regarding its budget as published by the county superintendent of schools?	____	____
When the budget has been finally adopted, does the district file the budget with the county superintendent of schools on or before the eighth day of August (for districts of more than 10,000 a.d.a., the tenth day of August)?	____	____
Long-Range Budget Considerations		
Does the district establish goals that are to be achieved through long-range budget planning?	____	____
Does the district make continual reevaluation of projections and plans in the light of new information and changing philosophies?	____	____
In projecting school populations, does the district give consideration to such factors as the following:		
The number of children of preschool age?	____	____
Birthrate trends?	____	____
Flow of population into and out of the school district?	____	____
Industrial and commercial development that may affect the growth rate?	____	____
Housing developments that may affect the growth rate?	____	____
Building plans of nonpublic schools?	____	____
Changes in attendance patterns of secondary school students?	____	____
Potential annexations or changes in district boundaries?	____	____
Unemployment rate within local labor force?	____	____
Plans of such local agencies as the following:		
Electric companies?	____	____
Gas companies?	____	____
Telephone companies?	____	____
Sewer department of city?	____	____
Street department of city?	____	____
Planning commission?	____	____

	Yes	*No*
Does the district recognize the effect that changes in school population will have on such items as the following:		
Teachers' salaries?	____	____
Teachers' retirement funds?	____	____
Custodial services?	____	____
Maintenance costs?	____	____
Administrative costs?	____	____
Supervisory or consultant services?	____	____
If the district has a building program, are adequate budget provisions made for such purposes as those that follow:		
Planning the program?	____	____
Employing consultants?	____	____
Meeting expenses of bond elections?	____	____
Purchasing sites or options on sites from current funds?	____	____
Purchasing equipment not provided for in bond funds?	____	____
Purchasing the supplies required by new schools?	____	____
Purchasing the library materials needed?	____	____
Does the district provide in the budget for such continuing building program costs as the following:		
Custodians' salaries?	____	____
Costs of custodial supplies?	____	____
Utility costs?	____	____
Maintenance charges?	____	____
Insurance charges?	____	____
Changes in class sizes?	____	____
Does the district's long-range budget planning contain provision for such changes or improvements in the educational program as the following:		
Improvement of the curriculum?	____	____
Extension of supervisory services?	____	____
Extension of the program for exceptional children?	____	____
Extension of pupil personnel services?	____	____
Addition of new programs of instruction?	____	____
Does the district maintain a well-developed curriculum guide for use in planning the budget?	____	____
Has the district established adequate budgetary goals?	____	____
If adequate budgetary goals have been established, has the district determined the priority of these goals?	____	____
Does the district recognize the necessity of gradual termination of budget provisions for programs as these provisions become less needed or less appropriate?	____	____
Does the district provide careful analysis of salary budgetary problems for certificated and classified personnel on such bases as the following:		
Financial resources during the current year?	____	____
Financial resources in future years?	____	____
Recruitment of adequately trained and competent personnel?	____	____
Reduction of staff?	____	____
Attraction of desirable young people into the teaching and the administrative professions?	____	____
Fringe benefits, such as the following:		
Retirement and Social Security?	____	____
Sick, maternity, military, bereavement leaves?	____	____
Sabbatical leave?	____	____
Group insurance plans?	____	____
Unemployment Insurance and Workmen's Compensation?	____	____

	Yes	*No*
Does the district in its long-range budgetary planning identify needs for such inservice programs as the following:		
Training of potential administrative personnel?	____	____
Improvements in instructional personnel?	____	____
Inservice training of classified personnel?	____	____
Does the district provide, in its long-range budgetary planning, for scheduling necessary maintenance costs of existing facilities in such a way as to develop an effective program over the years for the following:		
Painting and other renovating of buildings?	____	____
Repairing and replacing equipment and furniture?	____	____
Renovating playgrounds and grounds facilities?	____	____
Does the district give careful consideration in its long-range budgetary planning to the effect of inflationary economic tendencies on such budget categories as the following:		
Salaries?	____	____
Supplies?	____	____
Other support costs?	____	____
Does the district set priorities in its long-range budgetary planning?	____	____
Does the district's long-range predictions of income indicate the following:		
Sufficient income with which to carry out the educational program?	____	____
Need for planning a change in the financial program to meet the requirements of the educational program?	____	____
Need for anticipating changes in the educational program to adjust to available financial resources?	____	____
Need for changing both the financial and the educational programs?	____	____
In assessing the possibility of increased future financial support, does the district find that its long-range budgetary planning includes the following:		
Local taxes?	____	____
State apportionments and sources?	____	____
Federal subventions?	____	____
Miscellaneous revenues?	____	____
Has the revenue limit for future years, based on estimated enrollments, been projected?	____	____

General Fund Annual Budget

Does the district have a calendar covering all necessary budgeting activities throughout the year?	____	____
Is policy status given to such budgetary activities as the following:		
Scope of program?	____	____
Class size?	____	____
Instructional salary schedules?	____	____
Administrative salary schedules?	____	____
Classified salary schedules?	____	____
Supplies and equipment?	____	____
Needs for facilities?	____	____
Other needs, such as insurance, tuition, and reserves?	____	____
Does the administrator of the district equalize budgetary requests from various departments and levels on an equitable basis?	____	____
Does this equalizing process rest to a large extent on a body of policy statements sufficiently broad to form a sound basis?	____	____
Does the district have an adequate system of forms for use in assembling, on a uniform basis, written expressions of need from all departments and divisions?	____	____
Has the district adopted policy statements covering such budgetary matters as supplies and equipment on a per-pupil basis?	____	____
In budgetary areas in which policies are not involved, does the district administrator consult fully with staff members before making budget recommendations to the board?	____	____

	Yes	*No*
Is the staff given opportunity to be familiar with the district's total budget?	____	____
Does the district in estimating income for the budget make careful analysis of such items affecting income from local taxes as the following:		
Revenue limits?	____	____
Assessed valuation and tax rates?	____	____
Probable income from the unsecured tax roll?	____	____
Effect of the tax delinquency factor on budgetary income estimates?	____	____
Growth or decline in enrollment?	____	____
Does the district, in estimating probable income from state sources, give consideration at various levels to such items as the following:		
The foundation program?	____	____
Basic aid and equalization aid?	____	____
Special-purpose allowances and special allowances?	____	____
Assistance available from the office of the county superintendent of schools?	____	____
Does the district take full advantage of income available from the federal government under provisions of the following:		
Public Law 864?	____	____
Public Law 874 and Public Law 815?	____	____
VEA and MDTA?	____	____
ESEA?	____	____
Other federal subventions?	____	____
Does the district's budgetary procedure provide for using the district's experience throughout previous years in establishing the following:		
General Reserves?	____	____
Appropriation for Contingency?	____	____
Does the district provide for the dissemination to the general public of budgetary information other than that required by law?	____	____
Does the district hold the required public budget hearings?	____	____
Does the district regard the budget as information to be open to the public at all times?	____	____
Does the district make the public aware that the school budget is a public document?	____	____
In presenting the budget recommendations to the board, does the administrator explain fully the reasons for any deviations from former budgets?	____	____

Use of General Fund Budget in Administering Schools

Does the district's budget program cover adequately the following phases:		
Preparation?	____	____
Presentation?	____	____
Adoption?	____	____
Administration?	____	____
Evaluation?	____	____
Does the district's budget program make provision for continuous review of the following:		
Income?	____	____
Expenditures?	____	____
Is a cash-flow chart maintained showing the amounts of income and the dates when the income will be received and has been received from each of the following sources:		
Local tax sources?	____	____
State sources?	____	____
Federal and other sources?	____	____
Does the district have a purchasing calendar so arranged as to take optimum advantage of such factors as the following:		
Time of year item is needed?	____	____
Availability of money to take advantage of cash discounts?	____	____
Market conditions?	____	____

	Yes	*No*
Does the district exercise maximum control of its budgeted expenditures?	____	____
Does the district follow all legal procedures necessary in making transfers from one budget-controlled account to another when such transfers are necessary?	____	____
Does the district comply with the law in relation to income versus budgeted amounts?	____	____
Does the district follow required legal procedure in transferring excess income from General Reserve to expenditure classification for the current year when such transfers are possible and necessary?	____	____
Does the district meet all legal requirements for making budgetary data available to the public?	____	____
Does the administrator make available to the governing board on a monthly (or more frequent) schedule all the information it may need or desire that relates to the current status of the budget?	____	____
Is this information conveyed in written form?	____	____
Is this information in the hands of each board member far enough in advance of the forthcoming board meeting so that it can be evaluated prior to the meeting?	____	____
Is the board meeting agenda set up so as to encourage appropriate response from the board members regarding matters involving budgetary control or other fiscal problems?	____	____
Does the business office keep available for the superintendent the information needed to be cognizant at all times of the current status of the district's income and expenditures?	____	____
Are all staff members who have responsibility for the operations of certain phases of the expenditure plans kept up-to-date as to the status of these operations?	____	____
Are all employees, classified and certificated, kept currently informed regarding the extent to which budgetary provisions have been carried out?	____	____
Is adequate information on the financial status of the district reported to the public at regular intervals?	____	____
Does the district keep an up-to-date record of expenditures including the following:		
Amount of expenditures budgeted?	____	____
Expenditures made to date?	____	____
Expenditures in process of being made?	____	____
Expenditures yet to be made?	____	____
Has the district developed or adopted forms designed to make such items of information as those listed in the foregoing available with a minimum of effort and expense?	____	____

Special Funds

Building Fund

In budgeting the Building Fund, does the district include the following:		
Cash in the county treasury?	____	____
Other assets, such as cash collections awaiting deposit, investments in United States bonds, and accounts receivable?	____	____
In this beginning balance, does the district include liabilities only for services already performed and for materials and equipment already received on or before June 30?	____	____
In anticipating for budgetary purposes the income that will be requested from the sale of bonds over the period in question, does the district consider the following factors:		
Amount of bond proceeds from any bonds already authorized but not yet issued?	____	____
Amount of any bond sales anticipated from a bond election already scheduled but not yet held?	____	____
Amount of any bond sales anticipated during the forthcoming year from a future bond election that is not yet scheduled but that will be necessary to meet the building needs of the district?	____	____
Amounts to be derived from the sale of real and/or personal property originally purchased from the building fund?	____	____

	Yes	*No*
Does the district exclude from the budgeting of this fund any expenditures proposed for the maintenance of the school plant unless such expenditures have been called for by the bond election, limited to provisions of the Education Code?	____	____
Does the district confine its capital outlay expenditure budgeting from the Building Fund to those items called for (by the election in which these bonds were voted) in accordance with the provisions of the Education Code?	____	____
Does the district, in budgeting expenditures for furniture and apparatus from the Building Fund, adhere strictly to the Education Code limitations set forth in Education Code Section 21701?	____	____
Does the district limit transfers from this fund to a special construction fund, such as a federal aid project, or to the State School Building Fund for a state project?	____	____
Does the district budget any ending balance in this fund?	____	____
Does the district maintain an accounting system for this fund, including adequate budgetary control of revenues and expenditures?	____	____
Special Reserve Fund		
If the district is accumulating funds from current reserves to be used later for capital outlays, the following questions are pertinent.		
Has a Special Reserve Fund been legally established as provided in the Education Code?	____	____
Does the governing board of the district authorize the county auditor and county treasurer to transfer such funds as may be desired from the General Fund to this Special Reserve Fund or vice versa?	____	____
State School Building Fund		
If the district is to receive aid from the state in providing necessary school sites and buildings, the following questions are pertinent.		
Has a State School Building Fund been legally established?	____	____
Are deposits to this fund limited to income to be spent for items authorized under the State School Building Aid Law?	____	____
Is this fund used as a depository for all available funds for the designated purposes?	____	____
Is this fund used to control all receipts and expenditures for the designated purposes?	____	____
Does the district take full advantage of all possible sources of revenue for this fund, such as the following:		
Allocation by the State Allocation Board?	____	____
Sale of district bonds required by the State Allocation Board?	____	____
Public Law 815 (used as a reduction of state allocation)?	____	____
Does the budgetary control of the district recognize the fact that the money can be expended from this fund (regardless of the source) only on authorization of the State Allocation Board?	____	____
Does the accounting system set up as part of budgetary control provide everything required by the various audits mandatory on this fund?	____	____
Cafeteria Fund or Account		
If the district operates a cafeteria, the following questions are pertinent.		
Has a Cafeteria Fund or Account been legally established?	____	____
Does the district observe such legal limitations on expenditures from this fund or account as the following:		
Only those necessary for the operation of school cafeterias?	____	____
None for capital outlay except from those monies transferred from the General Fund by board resolution for a specific item or purpose?	____	____
None for meals for needy students unless financed by donation or General Fund transfer?	____	____
Does the district include in its budget beginning balance such items as the following:		
Cash in fund or account?	____	____
Cash collections awaiting deposit?	____	____
Accounts receivable?	____	____

	Yes	*No*
Stores?	____	____
Prepaid expense?	____	____
Only current liabilities (deduction) for services performed or for materials and supplies received before June 30?	____	____
Does the district realize to its full potential the following sources of income:		
Cafeteria sales?	____	____
Federal subventions?	____	____
State subventions?	____	____
Donations?	____	____
Transfers from the General Fund?	____	____
Does the district limit expenditures from its Cafeteria Fund or Account to the following:		
Fixed charges, such as insurance and retirement funds?	____	____
Salaries?	____	____
Food?	____	____
Operating supplies?	____	____
Operating expenses?	____	____
Repairs of equipment?	____	____
Replacement of equipment?	____	____
Supplementary food service (other than regular meals)?	____	____
Capital outlay for which General Fund income has been transferred by board resolution?	____	____
Does the ending balance of the fund or account include such items as the following:		
Cash in county treasury or bank?	____	____
Cash collections awaiting deposit?	____	____
Accounts receivable?	____	____
Stores?	____	____
Prepaid expense?	____	____
Current liabilities (deduction)?	____	____
Accumulative equipment replacement (deduction)?	____	____
Does the district maintain an accounting system for its cafeteria operation with adequate budgetary controls for both revenues and expenditures?	____	____
Child Development Fund		
If the district maintains child development centers, the following questions are pertinent.		
Has a Child Development Fund been legally established in the county treasury?	____	____
Is this fund used as the sole depository for all funds received for children's centers?	____	____
Does the district take full advantage of all sources of revenue open to it, such as the following:		
Parents' fees?	____	____
State apportionments, such as "means test"?	____	____
District tax?	____	____
Federal funds?	____	____
Transfers from the General Fund?	____	____
Does the district maintain adequate budgetary procedures? (See Form J-41)	____	____
Does the district have an accounting system for child development centers that provides adequate control of all revenues and expenditures?	____	____
Are these controls incorporated in reports to the administrator and the board?	____	____
Are child hours per year controlled adequately?	____	____
Community Participation		
Does the district have a planned approach to the need for creating and maintaining in the community a "we" attitude toward the schools?	____	____
Are the pupils recognized by the board and administrator as the prime avenue through which community sympathy and support can be secured for the public schools?	____	____

	Yes	*No*
Does the district make an organized effort to utilize the individual members of the staff (administrative, instructional, and others) as ambassadors for the creation of community understanding of school issues?	____	____
Does the district give its employees material that can be used to inform the community regarding such budgetary matters as the following:		
An analysis of the local tax structure and assessed valuation?	____	____
An explanation of all sources of revenue (local, state, and federal)?	____	____
An analysis of proposed budgeted expenditures?	____	____
A comparison of proposed expenditures with expenditures for previous years?	____	____
A comparison of proposed expenditures with those of comparable districts?	____	____
An explanation of special programs?	____	____
An analysis of costs?	____	____
Does the district make individual assignments to staff members in creating proper community support along such lines as the following:		
Providing information to regular groups?	____	____
Consulting with special groups?	____	____
Participating in budget hearings?	____	____
Assisting in the preparation of information?	____	____
Does the governing board of the district, collectively as a board and as individuals, accept as one of its major areas of responsibility the interpretation of the program and activities of the schools to their community?	____	____
Does the district administrator take full advantage of such news media as the following in securing and maintaining harmony between the community and its schools:		
Newspapers?	____	____
Radio?	____	____
Television?	____	____
School bulletins?	____	____
Does the district utilize existing community groups, such as those that follow, as agencies through which the schools can be interpreted to the general public:		
The PTA?	____	____
Service clubs?	____	____
Fraternal organizations?	____	____
Chamber of commerce?	____	____
Taxpayers' association?	____	____
Labor organizations?	____	____
American Association of University Women?	____	____
League of Women Voters?	____	____
Does the district make use of special groups to assist in the following:		
Planning, programming, and budgeting the financial program?	____	____
Planning the expansion of school facilities?	____	____
Financing the program of construction?	____	____
In the use of special groups, such as a lay committee, does the district proceed under such principles as the following?	____	____
The committee is given a single, specific job that is carefully defined?	____	____
The committee members are appointed for a definite period of time with the explicit statement that their terms of service will end when the terms are completed?	____	____
The committee members are made fully cognizant of their duties?	____	____
The committee members are made fully cognizant of the manner in which they are to work?	____	____
The outcomes of the committee's work are stated in the form of a written report and presented to the governing board?	____	____
Does the district endeavor to meet its responsibility to understand the community it serves?	____	____

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